

PRIVATE EQUITY PORTFOLIO SERVICES

The objective of the M&A Portfolio team is to initiate and coordinate the delivery of Willis' servicing, broking and risk management capabilities to portfolio companies of Private Equity Funds, on a single entity or group basis.

Our due diligence team will occasionally unearth coverage discrepancies, or simply that Newco's insurance programme has not been tested in the insurance market, competitively or otherwise. Often introduced to Newco's management post closing, the Willis portfolio team will work toward putting right outstanding discrepancies and / or introduce competitive tension to deliver premium savings.

The objective of a private equity fund's portfolio team is to prepare the investment for a profitable exit in years to come. Reducing operational costs is an obvious part of this process, of which insurance can be a significant component. Adopting a portfolio approach, i.e. creating economies of scale by leveraging the portfolio's collective buying power, on a virtual basis, can deliver the following:

- Increased premium reductions.
- Enhanced policy terms and conditions.
- Sustainable premiums and policy terms.
- Consistency in:
 - Broker service.
 - Policy coverage.



The important factors to consider in exploring the feasibility of a portfolio approach are the portfolio companies' ability to maintain their autonomy and sustain the positive impact derived from the facility post exit.

The structure of a portfolio approach can be varied according to the make up of the portfolio, current and future. Considerations include, for example:

- Specific Sector versus All Portfolio.
- Specific Class versus Cross Class.
- Single Territory versus Multi Territory.
- Wholesale versus Retail.
- Sponsored broker appointment versus mandated broker appointment.

One of the challenges to portfolio insurance initiatives is the disruption of relationships between the operating company management and their incumbent insurance broker. Depending upon various influencing factors, it is possible to structure a portfolio programme, which respects these often strong relationships, on a wholesale basis, where the incumbent broker is able to access a Willis-arranged facility.

The choice of insurer is commonly based upon pricing, security rating, flexibility and geographical reach. However, insurers often act as investors in LP's and therefore our aim is always to bring this to each party's attention and where appropriate form part of the consideration in choice of market. Also, where appropriate, we will actively seek to introduce potential investors to LP's during their fund raising activities.

Traditional portfolio initiatives are centred on positively impacting the bottom line, by reducing insurance costs. However, there are circumstances where insurance solutions can impact the top line and deliver revenue growth opportunities. For example, affinity insurance schemes (household, motor, personal accident, travel and term) are popular sources of additional revenue to the retail sector and those who deal extensively with the general public. Affinity schemes can also be attractive propositions for the provision of additional or more appropriate benefits to employees and / or contractors.



PORTFOLIO CASE STUDY

As a result of a recent portfolio tender process undertaken by a leading private equity fund, Willis has been appointed as the preferred insurance broker to the portfolio. The tender process was structured and involved the management of the sponsoring fund and each portfolio company, ensuring the buy-in from all parties at the outset. Willis' proposal comprised a winning combination of innovation, partnership with pre-identified insurers, and knowledge of the business and personnel involved. The coordinated approach through the Willis Client Advocacy Model engendered consistency in services levels. By taking a portfolio approach to the procurement of insurance, Willis delivered premium savings in excess of 25 percent.

For more information contact your local Willis Associate, or call the London M&A Practice on: +44 (0)20 3124 6000

