

RISK AND INSURANCE DUE DILIGENCE

Our consultancy team specialises in Risk and Insurance due diligence and provides a suite of services to private equity, corporate clients and lender groups.

The undertaking of a thorough due diligence review of a target's insurance and risk management programme is an integral aspect of the overall due diligence process; the drivers for such services are dependent on the audience.

The core appointment should include an analysis of the target's business operations and its existing insurance arrangements to establish how accurately the insurance coverage reflects the true risks of the target's business environment. It should also assess whether there are any risk exposures that are not appropriately insured or financed which may represent a real risk to the business, post-completion.



This work will be undertaken in accordance with the Purpose and Methodology outlined as follows:

AIM

The ultimate purpose of our review is to identify any potential insurance related deal-breakers including significant cost implications for the transaction. In turn, this should assist the purchaser to:

- Consider premium forecasting and accruals / reserves + capital expenditure = total cost of risk.
- Identify any hidden or underinsured liabilities or exposures which should or could be addressed by insurance.
- Minimise the parties' reliance on contractual warranties.
- Provide reliance to the finance providers.
- Provide future balance sheet protection through appropriate insurance arrangements.
- Identify potential pre-emptive risk management measures that could ease future negotiations and preserve deal value.

METHODOLOGY

No two due diligence projects will be the same and each client's expectation requires a unique team profile. A typical due diligence project will include an analysis of, inter alia: general identification of:

- Activities and operations (including historical).
- Territorial exposures.
- Natural catastrophe exposures.
- Regulatory insurance requirements in applicable territories.

ASSETS

An analysis of how adequately and effectively the business critical assets of the company are protected through insurance and risk management procedures in terms of:

- Physical, human, financial or intellectual assets.

LIABILITIES

A review of the risks and responding insurance coverage, whether historical or current, arising from:

- Employer's Liability / Workers Compensation.
- Public / Products Liability.
- Professional Liability.
- Outstanding Litigation.
- Environmental Issues.

CONTINUITY OF THE BUSINESS

An assessment of the insurance protection and risk management measures in place in the event of a major business interruption including:

- Key revenue streams.
- Key suppliers / subcontractors.
- Location.
- Major customer(s).
- Reputation.

LOSS PROFILING

A review of historical losses incurred by the business including:

- Major outstanding losses.
- Trends within the loss experience.
- Assessment of any potentially uninsured losses in the future as a result of insurer insolvency for historical periods of insurance.

RISK MANAGEMENT STRATEGY

An overview of the target's risk management philosophy, strategy and practice to include consideration of:

- Management structure and resources.
- Health and Safety.
- Business Continuity / Disaster Recovery Plans.
- Corporate Governance.
- Appetite for risk retention / transfer.

SUMMARY

Our experience means we recognise any benefits or short-falls in risk transfer programmes that may impact the ability of that programme to financially protect the company you are buying. Our resources enable us to efficiently review historic information, assimilate and interpret it to understand the financial and operational impacts of insurance issues.

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