



PROFESSIONAL LIABILITY UNDERWRITING SOCIETY

The Rise of Transactional Risk Insurance

May 11, 2016

Presented by PLUS Diamond Sponsors





Meet the Presenters

MODERATOR:

Randy Hein, Senior Vice President, Chubb

PANELISTS:

Leah Coakley, Vice President, Lockton Companies

Jonathan Klein, Partner, DLA Piper

Jay Rittberg, Managing Principal, Euclid Transactional





PLUS Transactional Risk Webinar Series

- May 11* The Rise Of Transactional Risk Insurance
 - May 25 Basic M&A Concepts I
 - June 1 Basic M&A Concepts II
 - June 15 Underwriting Reps & Warranties I
 - June 22 Underwriting Reps & Warranties II
 - July 13 Reps & Warranties: Claims, Trends and Process
 - July 27 Tax Opinion Insurance
 - August 10 Market Standards, Unique and Hard to Place Risks and Exposures
-
- The May 11 Webinar is open to the general public. PLUS Members will be able to participate the entire Webinar series and will have access to view replays at www.plusweb.org.
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The information and opinions expressed by our panelists today are their own, and do not necessarily represent the views of their employers or of PLUS. The contents of these materials may not be relied upon as legal advice.

A copy of the presentation slides will be available following this webinar, on the PLUS website at: www.plusweb.org

Traditional Insurance Rationale – Protection for Unlikely but Terrifying Events

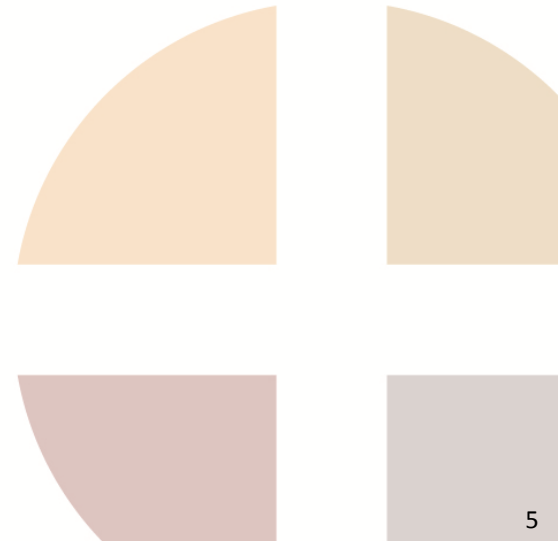
Educating About Known vs. Unknown Coverage

Concerns Over Adverse Selection and Moral Hazard

Pro-Insurer Terms and Conditions

Staffing Up the Industry

Limited Claim Stories and Skepticism



Representations and Warranties

Buyer and Seller Side Coverage for Breaches of Seller's Reps and Warranties (Unknown Issues)

Retentions Typically 1.5% of Deal Size

Limits Typically 10% to 20% of Deal Size

One-Time Premium for 6 Year Policy is Typically 3.30% to 4.00% of Limit Purchased

Tax Opinion

Covers Loss Resulting From a Specific Tax Position (Known Issue Deemed to be Low Risk) Being Denied by a Tax Authority (e.g. Valid S-Corporation Status)

As with R&W, Buyers Typically Purchase Policies in Lieu of Seller Escrow

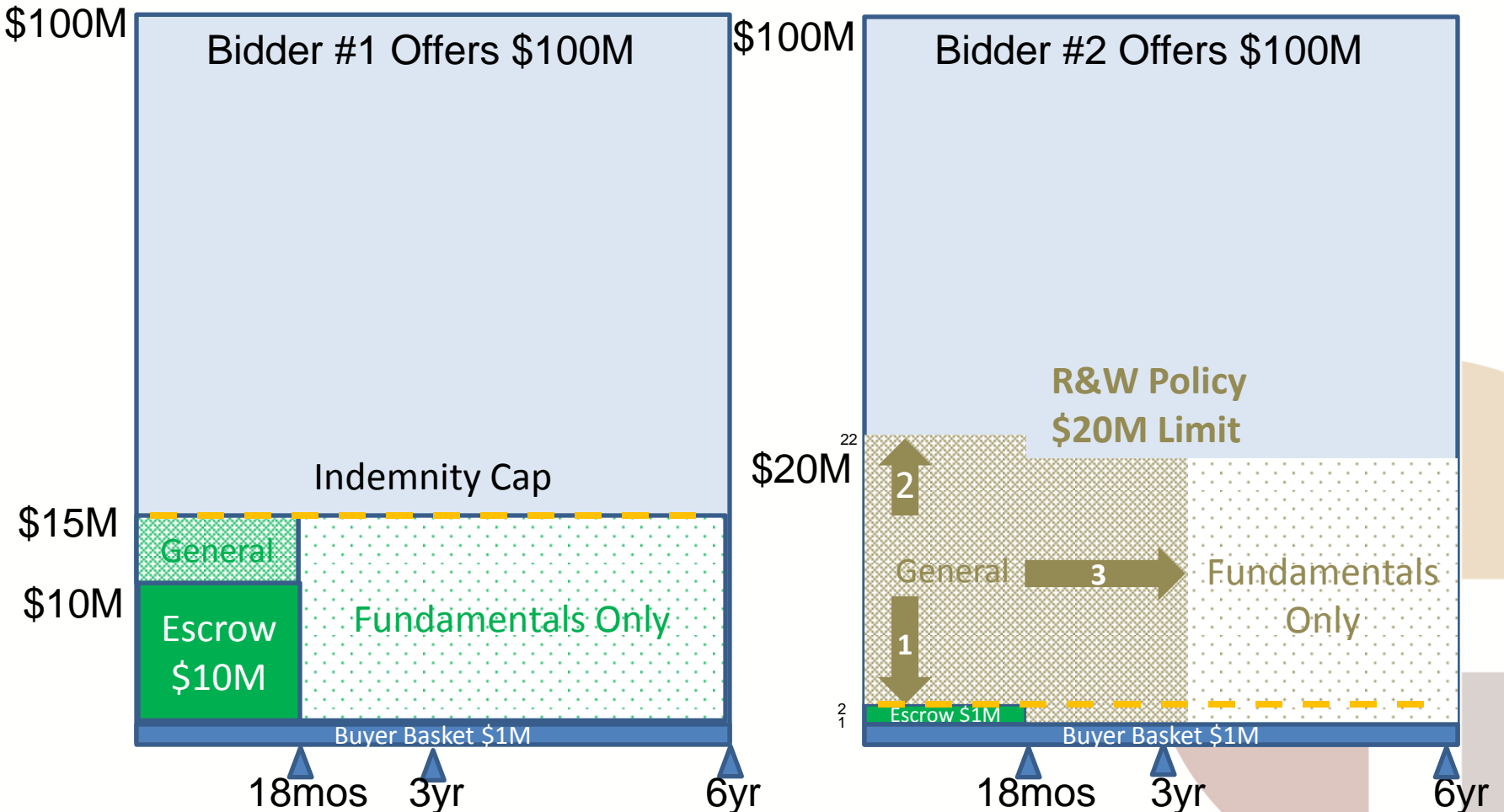
Limit is Equal to Taxes, Interest and Penalties that Would Be Owed if the Tax Position Were Denied by the IRS or State Tax Authority

One-Time Premium for 6-7 Year Policy is Typically 4% to 8% of the Limit Purchased

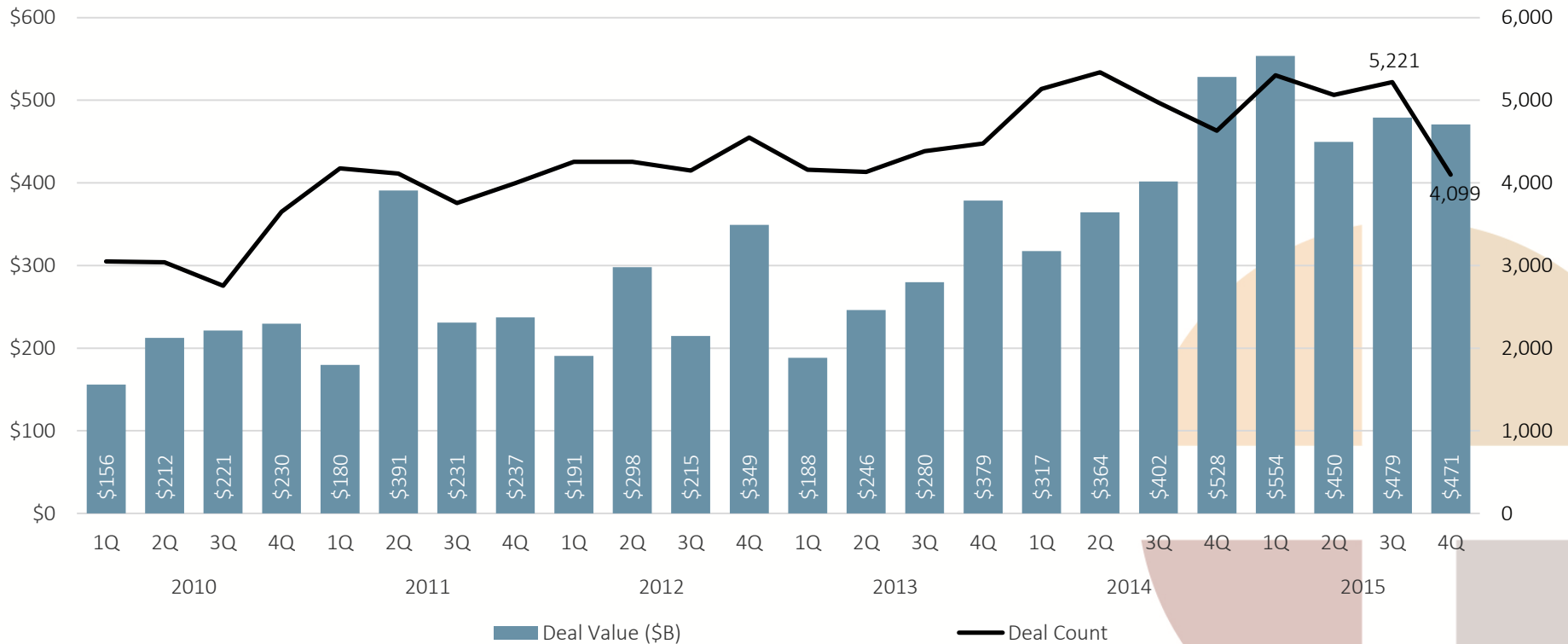
Contingent Liability

Without R&W Insurance

With R&W Insurance



	2014				2015				TOTAL
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	
Deal Value (\$B)	\$317.37	\$364.23	\$401.61	\$528.28	\$553.56	\$449.74	\$479.12	\$470.83	\$1,953.25
Deal Count	5,138	5,340	4,972	4,630	5,302	5,064	5,221	4,099	19,686



PLUS **Transactional Risk Product Penetration Statistics**

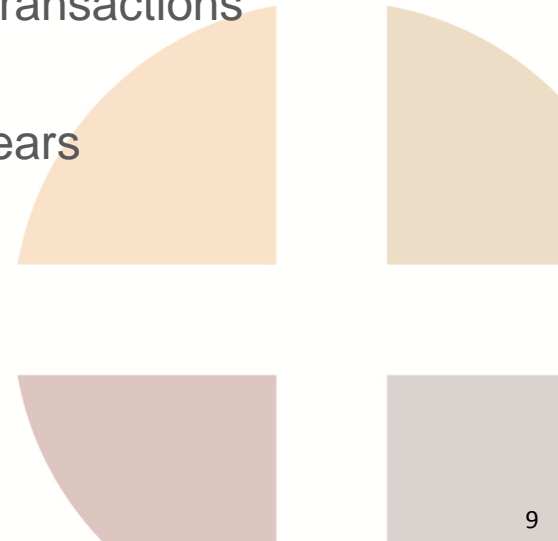
In 2011 Between 100 and 200 Policies Written

In 2015 Between 800 and 1,000 Policies Written

Approximately 50% Cumulative Average Growth Rate

Product Still Has Low Penetration Given Number of M&A Transactions

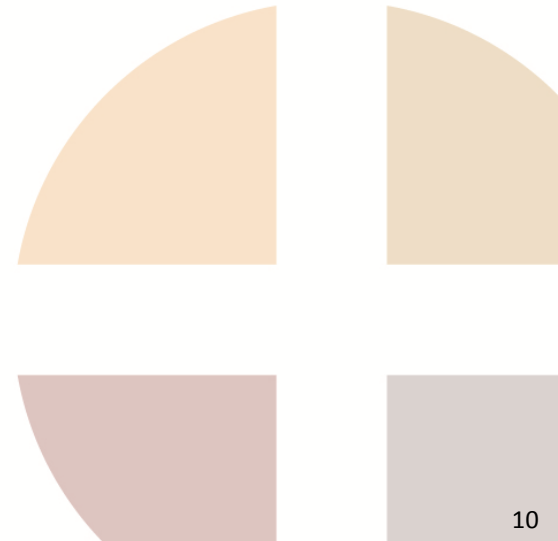
Not Close to Saturation Point – Growth Could Persist for Years



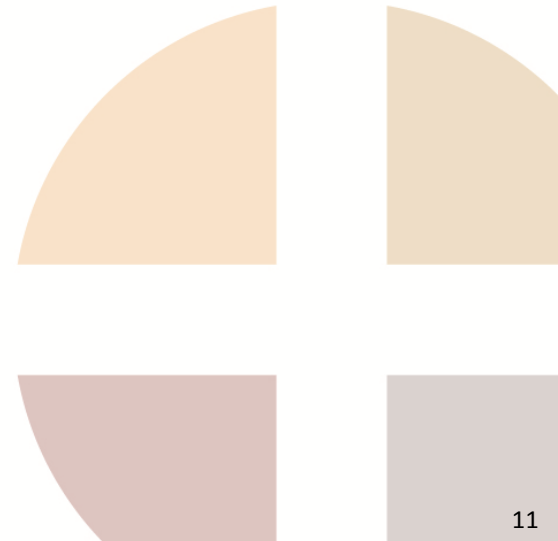
Carriers

Brokers

Law Firms



Questions





MODERATOR:

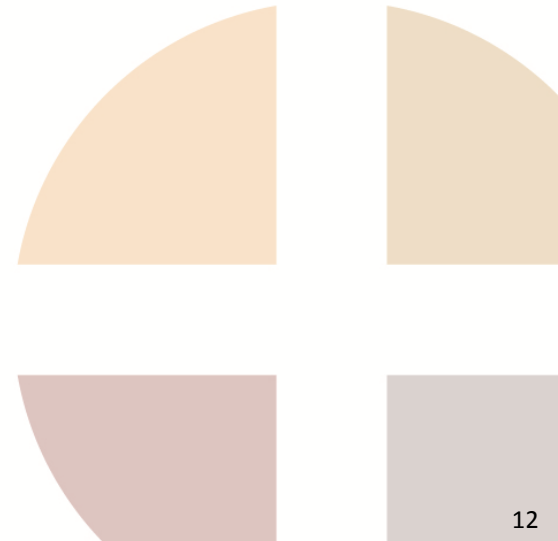
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Thank you, PLUS Diamond Sponsors





Thank you for your time.

**A replay of this webinar will be
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