THE Safegard GROUP, INC.

INSURANCE BROKERS AND CONSULTANTS

Merger & Acquisition Services

Pointing you in the Right Direction™

CONTENTS

THE Safegard GROUP, INC.
INSURANCE BROKERS AND CONSULTANTS

About The Safegard Group, Inc.

The Safegard Group, Inc. is a leading full service, insurance broker and risk management consulting firm. Safegard was founded on the basis of superior customer service and expert technical knowledge.

The technical knowledge of our consultants extends to expertise in the field of merger and acquisition deals thanks to the vast experience of our staff across various industries and the benefits of MBAs on staff performing analysis on such deals to ensure reliability and security.

By working in close partnership with our clients, we ensure their assets are properly protected from loss. Our consultants will design a tailored insurance program to fit your individual needs by completing a thorough analysis of your exposures to risk.

Safegard has developed significant relationships with a multitude of insurance companies, which results in our ability to deliver the exact coverage required to meet the complex needs of any merger or acquisition.

Due Diligence is the process by which you evaluate the viability of a potential merger or acquisition. Many businesses underestimate the significance of insurance in this process. For instance, the cost of insuring the new operations may hamper projected profits or an unforeseen exposure could arise. You could learn too late that you overpaid or that you shouldn't have made a deal at all. Furthermore, the structure of the transition could have profound effects on the cost of insuring new operations.

At **The Safegard Group, Inc.**, we use our insurance expertise across industries and understand the process of due diligence to help you protect your assets and prepare for a multitude of different situations.

About Due Diligence

An overwhelming majority, 89%, of surveyed private equity executives said they expect average to high M&A activity in the coming year with 84% saying they expect the pace to accelerate or stay the same. As the market hardens the margin for error becomes slimmer and due diligence becomes more important. Yet only 20% of respondents said due diligence is the key ingredient to deal success. Due diligence is – contrary to integration and valuation – the least volatile step in M&A. It's not subject to irrational actors.

We have the experience you need to navigate the complex and bureaucratic web of regulations from state to state. While mergers can be undermined by clashing company cultures, ego and error, our due diligence services offer value and reliability.

We know all M&A deals are not the same. Every deal – be it a merger, acquisition, spin-off, or divestment – brings different needs.

Are you acquiring an entity entirely or just majority stake?
Are you buying their assets or the liabilities too?
Perhaps you've assumed ownership of their debts and property?
Is this a one time deal or a stepping stone to larger deals?
What are your long term goals and projections?
What is your exit strategy?

Depending on the scale of the deal M&A can bring sudden growth. But with that growth comes increased exposure to mismanagement or malfeasance. Is your insurance sufficient to protect against lawsuits from shareholders and/or investors? Are there ways to protect you and your shareholders from the target's liabilities?

Understanding those nuances is key to our service.

An important aspect of due diligence is the **actuarial analysis**, especially in analyzing the claims history program to understand if the unknown can be quantified. We will evaluate claims made and tail exposure then potentially close the gap or exposures by "walling off" the exposures and claims with pricing options that limit the threat of the unknown claims.

We have over 20 years of experience at Safegard and we never stop learning. Our offices have individuals who specialize in every class of business who have worked on M&A deals from every perspective, from start to finish. We never stop working for you

Our Process

We will take precise steps to ensure you can make the best decision

In mergers and acquisitions, companies frequently forget to include insurance requirements while moving through the due diligence process.

On these next few pages is an ideal checklist to help you stay protected by maximizing coverage, preventing coverage gaps, and analyze the risks of the company being acquired.

It may seem like a good investment now, but after analyzing the insurance details, **could it still be a success?**

Process Details

Understand the details of the business deal.
Changes in business ownership are complex and challenging. Are you merging with another company to form a new company? Is your company taking over another and establishing control as a single owner? The Safegard Group is well versed in the practices required to completely analyze the various structures of these types of deals including: mergers, acquisitions, asset purchases, spin-offs, divestitures, etc.

It is imperative to form a **timeline for your transaction**, as well as a list of involved parties, and to **discuss each individual's goals** in the deal. Identifying key factors will keep your company in a favorable position.

Additionally, we ask you to **identify your long term goals and exit strategy** for your transaction. This information will help us build an insurance program that will fulfill the requirements of the merger or acquisition. It will also provide information that can be used to create statistical models to **analyze data and calculate the probability of costs and exposure to loss**.

Detailing Requirements for Underwriting.
It is imperative to audit current coverages to identify any gaps and/or potential cash pitfalls. It may be a good choice to perform mid-term "test" audit if the date of the deal will be in the middle or towards the end of policy terms to **uncover additional costs or available return premiums**. The analysis of program structure and any corresponding costs is a vital effort to the initial underwriting process to ensure accuracy.

Analyzing the Status of Claims and Controlling Risk.
Performing a thorough **analysis of open and past claims** in relation to current program is an important aspect in M&A deals to determine additional exposures once the deal closes or in the future, and **this may affect the structure and terms of a deal**.

From a risk control perspective, it is necessary to perform an exposure analysis and audit of risk control procedures to identify areas of concern prior to closing a deal. A risk assessment in partnership with our claims team can provide concrete **feedback on open claims** and **plan corrective actions**.

In certain circumstances, some of the requested data may not be available. The Safegard Group will **leverage our relationships with our insurance carriers to best work with limited information** on a case by case basis.

Once the merger or acquisition is completed, your company will assume certain responsibilities:

- Directors and Officers and/or Fiduciary Liability
- Tail Exposures

No Stone Left Unturned

Our rigorous due diligence process will ensure there are no surprises.

Employee Benefits and Human Resources.

Having a complete understanding of the seller's employee benefits and human resources procedures will help eliminate any primary issues. The seller will need to provide:

- description of employee operations and contracts.
- access to entire employee benefits program.

This information will help The Safegard Group identify exposures and obligations so that our Employee Benefits Department and Risk Management Team can proactively ensure the program in place is up to code.

Anti-Assignment Provisions

Most insurance policies contain an anti-assignment clause. This often means that any assignment between the merging companies may be ineffective or void. Insurers require that the insured receive permission to assign policy benefits.

Monitoring

The Safegard Group, Inc. prides itself on being exceptionally thorough and will continue to closely monitor claims and insurance needs of the company well beyond the closing of the deal.

THE Safegard GROUP, INC.

INSURANCE BROKERS AND CONSULTANTS

www.safegardgroup.com.

Address: 100 Granite Drive, Suite 205
Media, PA 19063

Phone: (610) 892-7688