

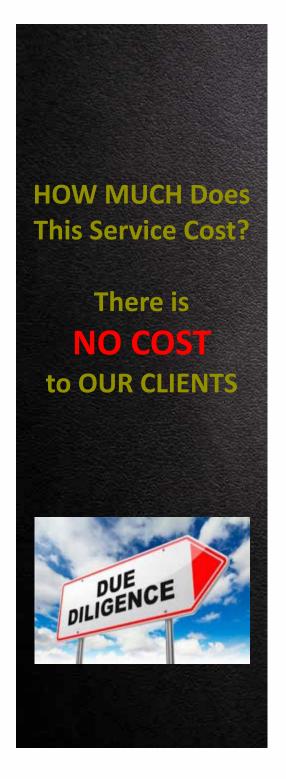
## Understanding Why to Include Butwin on Your Due Diligence with Acquisitions

## RISK MANAGEMENT IS AN IMPORTANT TOOL WHEN ANAYLZING AN ACQUISITION

When people are eyeing an acquisition, they always have their Accountant and Lawyer perform Due Diligence on the target company. Unfortunately, they do not always turn to their Insurance Broker. Because we are looking at completely different things from the other two, we can discover opportunities and perils in your acquisition targets that are not on the radar of your other professionals.

## **EXAMPLES:**

- Workers Compensation What is the Experience Modification, frequency & severity of losses?
- Property Have there been losses? What do the inspections show?
- Automobile What type of claims are there? Run Motor Vehicle Reports.
- General Liability Who has sued them for what? Are there recurring suits from products or facilities?
- Umbrella Any large claims?
- Employment Practices Liability Do they have proper coverage, such as prior acts and 3<sup>rd</sup> party liability?
- Combining Entities Is there anything about the seller's business that will negatively affect your insurance?



## EXAMPLES OF WHAT WE HAVE DISCOVERED EXAMINING ACQUISITION TARGETS FOR CLIENTS

- The seller had discontinued manufacturing a particular hose for the gas line to home dryers years ago because over time they were cracking and resulting in houses blowing up. The seller failed to disclose this claiming the product was discontinued. They also did not mention that the claims were still coming in as they didn't know who purchased the hoses.
- The property had a list of critical maintenance deficiencies which the owner had been ignoring.
- The property had flooded twice in the past 10 years
- One of the seller's 6 locations had such bad Workers
   Compensation experience, it was costing the entire firm 20%
   more premium. Employees were getting injured because the
   equipment needed significant upgrading.
- The seller failed to maintain proper Employment Practices Coverage. It did not cover all prior Acts (occurrences) of a specific individual.
- The seller had a small "side business" installing Fire Suppression Systems in commercial kitchens. This would have resulted in the termination of the buyer's insurance.
- The buyer who sold office furniture was looking to buy and merge a walling and flooring contractor into the fold to broaden his business. This would have caused the cancellation and dramatic increase of all their insurance. We advised the client to buy and insure the new entity separately.

We have exposed huge issues which otherwise would have made the acquisition a loss.

We have also identified large.

identified large opportunities to save money on the target, which the buyer didn't realize.

"

"2 AM is a lousy time to find out you chose the wrong insurance broker"