

# PricewaterhouseCoopers' Transaction Services

## Insurance risk management

### Assessing insurance risk management costs and issues which materially impact your deal

We perform insurance diligence from a financial and accounting perspective. Our diligence on the economics of risks such as workers compensation, management liability and products liability is seamlessly integrated with PwC's financial diligence and post-integration services. By expanding traditional financial due diligence to include insurance, buyers can ensure they have sound, independent insight into the immediate and prospective financial considerations of the insurance risk.

Insurance due diligence will also assess the impact of the transaction on the buyer's insurance program in terms of change-in-control, synergies and insurance risk management structure, as well as collateral.



#### How we help

##### We concentrate on deal issues:

- **quality of earnings and run-rate analysis:** ensuring the P&L correctly relates to insurance expense
- **quality of assets:** liabilities, adequacy of self-insured loss accruals, restricted insurance-related assets
- **debt:** consideration of one-time costs
- **impact of working capital**
- **pay-out pattern of cash flows**
- **collateral:** whether it would increase
- **transition and integration**

Post-close, we assist organizations to develop and execute relevant, cost effective strategies that foster business objectives.

#### Benefit to you

Our clients benefit from financially oriented insurance risk diligence findings, integrated within PwC's financial diligence, which often lead to run-rate EBITDA and purchase price adjustments that may have been missed through standard financial due diligence alone. Our clients, post-close, are also able to benefit from reduced insurance operating costs and freed up capital while still mitigating the risks of their M&A activities.

### How PwC helped one organization change the terms of a deal based on the seller's understatement of insurance reserves and expense

Our client needed to understand whether an acquisition target had adequately expensed and reserved Workers' Compensation and General Liability retained losses.

#### Our Approach

We found the retail acquisition target had a flawed methodology to estimating Workers' Compensation and General Liability self-insured loss expense. We identified a loss and premium expense understatement of \$4.3 million and a \$2.6 million understatement of Workers' Compensation and General Liability losses on the balance sheet.

#### The Outcome

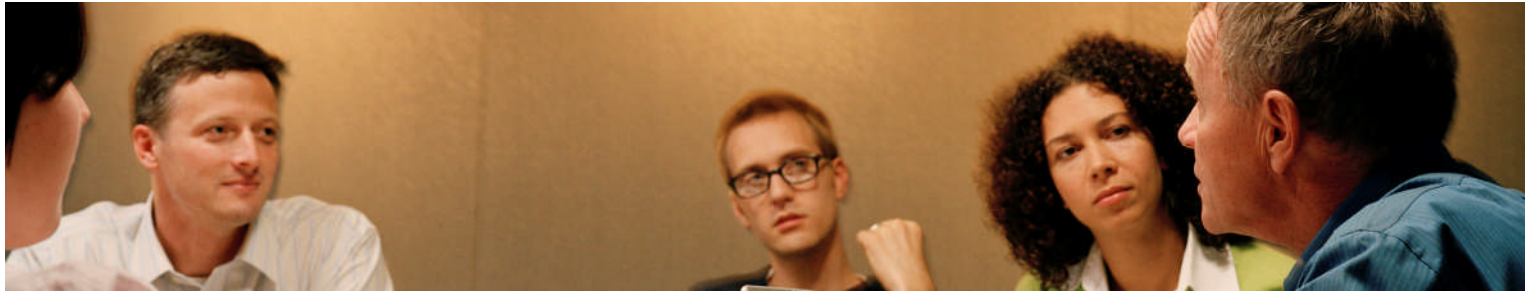
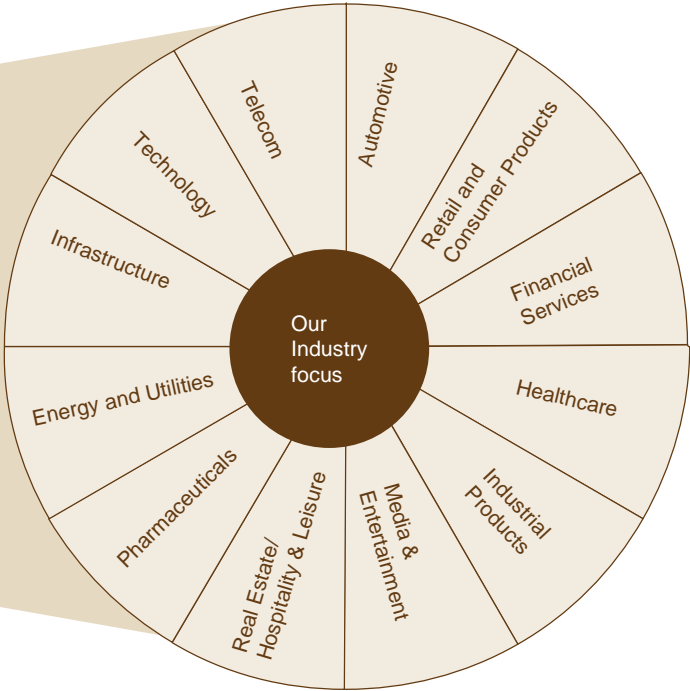
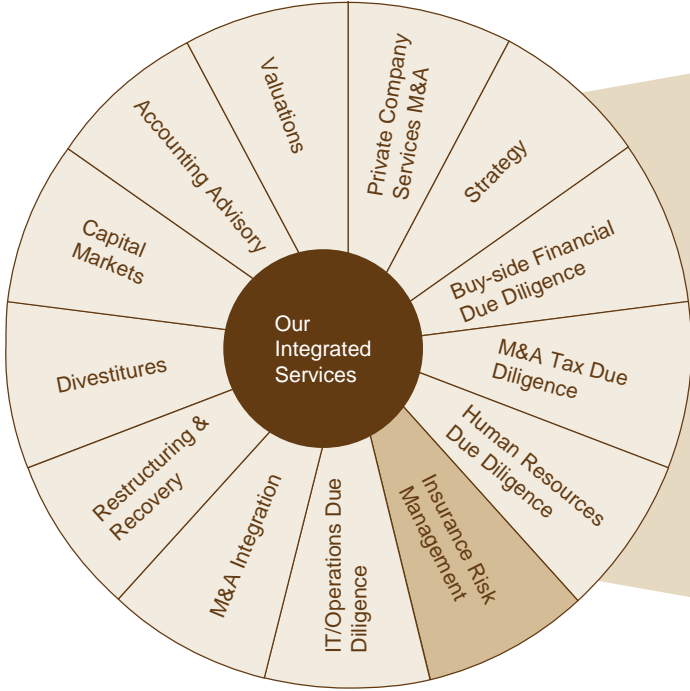
The findings reduced EBITDA of the acquisition target by \$3 million. This was used to establish a successful negotiation position, with the seller agreeing to pay any pre-close claims in excess of the transferred loss reserves.

For more information on our insurance risk management solutions, contact:

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# PricewaterhouseCoopers' Transaction Services

A tailored approach that provides clients with the right balance of transaction, functional, and industry expertise across the value chain



## About Transaction Services

The PricewaterhouseCoopers Transaction Services practice provides due diligence for M&A transactions, along with advice on M&A strategy and integration, divestitures and separation, valuations, accounting, financial reporting, and capital raising. With approximately 1,000 deal professionals in 16 cities in the U.S., experienced teams are deployed with deep industry and local market knowledge, and technical experience tailored to each client's situation. The Transaction Services team can be involved from strategy to integration and employ an integrated business approach to uncover the realities of a deal. The field-proven, globally consistent, controlled deal process helps clients minimize their risks, progress with the right deals, and capture value both at the deal table and after the deal closes.

For more information, visit [www.pwc.com/ustransactionservices](http://www.pwc.com/ustransactionservices)