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(Boulevard St Honoré)
Paris

INSURANCE and MERGERS, ACQUISITIONS, JOINT VENTURES

The object of this conference is to examine the risk management problems which can occur between two (or more!...) industrial companies at specific steps of their life : mergers, acquisitions or setting up of joint ventures

1. Mergers and acquisitions

To acquire companies is to acquire liabilities

- What is the involvement of the risk manager ? When does it begin ? and when should it begin ? Isn't it too late ?
- The key issues :
 - time scales
 - confidentiality
 - imperfect information
- What are the sources of information ? Hostile or friendly ?
- What are the areas for examination
 - contractual position (treatment of back liabilities, IBNR,...)
 - basis of existing insurance cover
 - deductibles
 - environmental exposure
 - dormant companies
 - product liability
 - employees liability
 - pension liability
 - health insurance
 - director & office liability
 - captives
 - historical record of key insurers

2. Joint venture

- What is a joint venture ? "A business agreement, where two or more companies create a separate entity, which is either a partnership, or a closely held corporation, which is separately and legally identifiable from it's parental organisations"

A risk manager must wear two hats to protect the business of the corporation and the joint venture,

- Risk management
 - Common standards must be adopted - potential culture problem
 - Access to information and insurance documentation sometimes difficult
 - Partners may still be arch competitors in other areas of business

Co-operation may be difficult, but is essential for the long term security of the business

- Insurance options
 - Joint venture procures insurance for its dedicated activities
 - One partner accepts risks under its own programme
 - Each partner insures its own proportion of risk under existing insurance arrangements

Each approach has its own merits and is applicable to different scenarios

- Other key issues :
 - claim handling agreements
 - past production/liabilities