

# Could That New Acquisition Harbor Old Skeletons?



An acquisition represents both untold opportunities and unknown liabilities. The buyer of a company can be held responsible for the consequences of events that occurred long before the acquisition. Standard liability insurance will not offer protection for claims made against the buyer for loss events that predate the deal. Today's buyer can't count on protection through an "assets only" purchase, either. For instance, the new owner may be the only defendant available and able to finance a large loss, despite a tight buy/sell agreement. At a minimum, defense expense exposures are likely.

## **Some scary scenarios to consider:**

**In a Friendly Transaction, a Large Manufacturer Acquires** an electronic equipment leasing firm through an "assets only" purchase agreement. Several years later, suit is brought because the leasing firm's equipment caused major property damage prior to the transaction. The successor is found liable to pay the multimilliondollar claim, as the predecessor firm had inadequate insurance and could not finance the loss.

**A Large Retail Establishment Acquires** a chain of stores from a competitor. When a lawsuit is brought a year later claiming damages for bodily injury from defective goods sold by the former competitor, the successor is found liable to the tune of \$3 million – without insurance – as technically it was never an insured party under the predecessor's policies.

## **Fortunately, there is a solution to these dilemmas.**

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Chubb's Successor Liability insurance, included in *Continuum from Chubb<sup>SM</sup>*, offers insurance protection for companies whose current insurance policies may be inadequate to handle exposures from the past. Some highlights:

- Extended claim-reporting periods, often up to 10 years
- Coverage is noncancellable
- Primary and follow-form Excess liability
- Worldwide protection available
- Significant capacity

Successor Liability is just one of the many insurance products available to address the exposures arising out of mergers, acquisitions and business discontinuations.

Never before has the insurance profession seen so much uncertainty in litigation – from escalating jury awards and liberal interpretations of the law to increased liability imposed on manufacturers of even the most benign products. But these skeletons shouldn't rattle anyone. Count on Chubb to help design an insurance program that offers insurance protection against liabilities from the past.

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