



CASE STUDY

Risk Challenges for Spin-out Turn into Win for PE Firm

Bryson Financial Enlisted to Shore Up Risk Complexity Prior to Spin-Out Acquisition

Client: Private Equity Firm

Scenario: The PE firm was looking to purchase a spun-out division of a large multi-national electronics manufacturing company. The spin-out left the new standalone entity without master corporate insurance coverage and without a risk history, presenting the new entity a set of complex risk issues and expected higher costs not present under the master plan.

■ **Discovery:** The private equity firm engaged Bryson to analyze a complex risk management scenario. The new entity was to lose its coverage under the high deductible, self-insured master plan of the parent company. Our due diligence uncovered multiple issues: 1) no current premiums to review and benchmark for medical insurance or property & casualty, 2) incomplete workers' comp claims data, prohibiting most carriers from insuring the risk, 3) and the industrial nature of the operations of the standalone entity, when viewed from 30,000 feet, were considered high hazard by the insurance marketplace, a factor that was not an issue when coverage was a smaller part of the master plan.

■ **Solution:** The risk analysis for this spin-out required maximum creativity and strategic thinking – not a cookie cutter risk approach. On the P&C side, our solution was to create, in essence, an auction for the new entity's risk business. We did extensive due diligence on operations so that underwriters would have better understanding of the true nature of the business. This was an important step, because without that data the underwriters would assume the worst. For medical benefits, we leveraged our relationship with Anthem to negotiate coverage and rates even more favorable than the previous master plan.

Outcome: After thoroughly informing the P&C underwriters with the true nature of the risk, Bryson's PE specialists engaged 6 carriers that resulted in 3 carriers aggressively outbidding each other for all coverage lines. For medical insurance, our relationships and thoughtful approach resulted in premiums comparable to the master plan, alleviating an expected negative financial impact. What started as potential barriers to acquisition turned into a successful outcome – an outcome that could only be achieved via a broker strategy that was aggressive, creative and worked outside traditional passive insurance broker execution.