

Northeast Private Equity Expertise

80 PRIVATE EQUITY RELATIONSHIPS	278 PORTFOLIO COMPANY CLIENTS
\$340M+ ANNUAL PREMIUM VOLUME	15,074 POLICIES

Local Expertise, With Global Reach:

- Government Contractors
- Aerospace
- Technology
- Financial Services
- Real Estate
- Healthcare
- Infrastructure
- Energy
- Transportation



CLIENTS
FIRST



FULLY
ENGAGED
ASSOCIATES



STRONG AND
LASTING
LEADERSHIP



AWARD-
WINNING
SERVICE

Lockton at a Glance

Lockton is the largest family owned and operated brokerage & consulting firm in the world.

\$1.88B
2020 GLOBAL REVENUE

8,000+
ASSOCIATES WORLDWIDE

60,000+
CLIENTS WORLDWIDE

100+
OFFICES WORLDWIDE

96%
CLIENT RETENTION

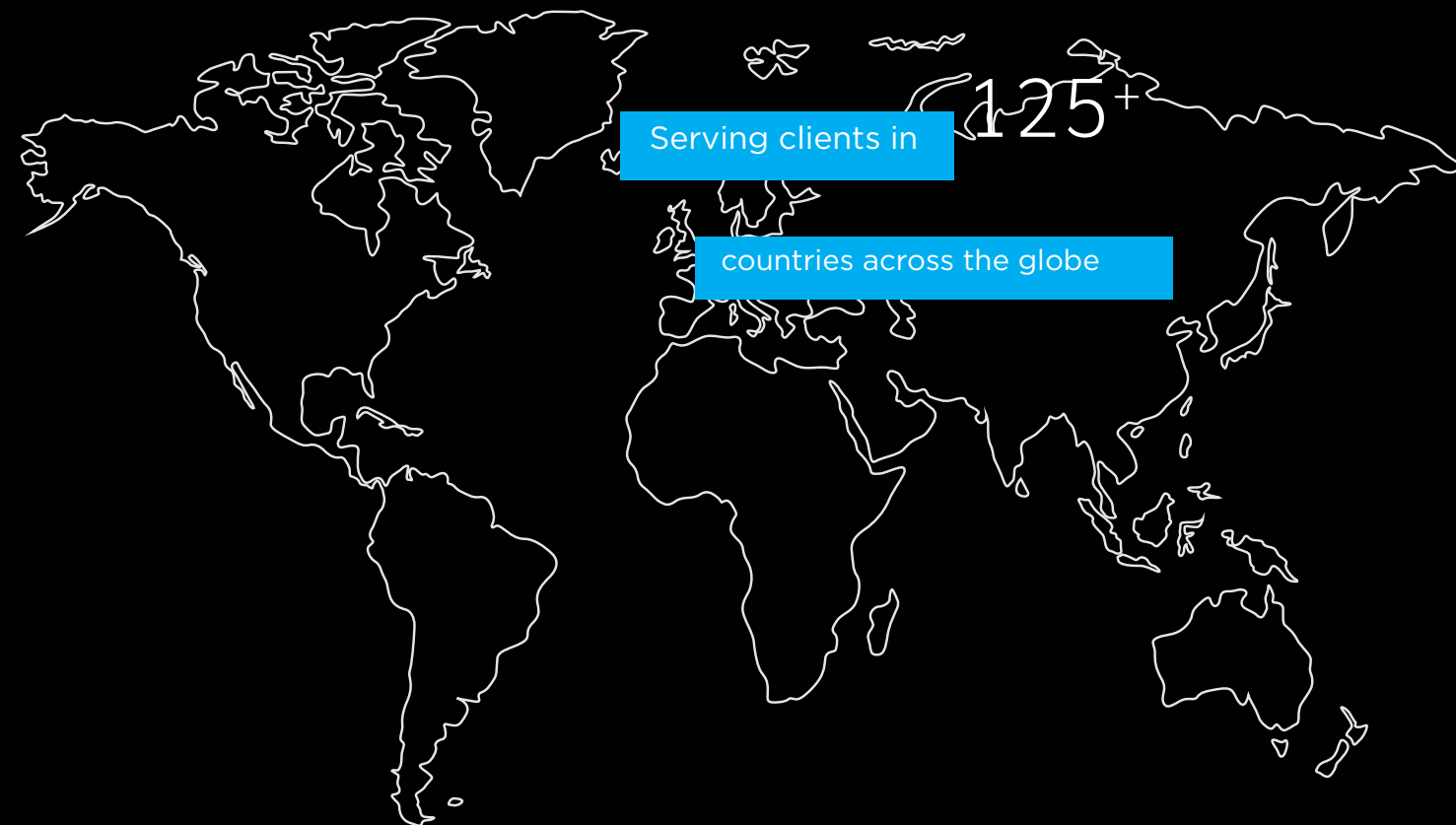
10.3%
ORGANIC GROWTH

\$38B+
PREMIUM VOLUME
WORLDWIDE

#8
LARGEST GLOBAL BROKER
RANKED BY BUSINESS INSURANCE

\$5M+
ANNUAL CHARITABLE
DONATIONS

11
CONSECUTIVE YEARS AS
BEST PLACES TO WORK



Challenges of a Hardening P&C Market

- Increasing insurance rates
- Reductions in available capacity
- Restrictions of coverage
- Result in negative impact on earning and enterprise value

Challenged industry sectors:

Up/Downstream Energy

Reductions in capacity driving increases of +20%

Technology/Financial Services

Ongoing state-sponsored hacking is resulting in high volatility of insurance market rates

Healthcare

Declining underwriting profitability resulting in rating adjustments of 20 to 50%, or higher

Transportation

Primary and excess casualty continues to present challenges, resulting in high volatility of rates

Solutions and Strategies to Mitigate Impact of Hardening Market

Portfolio Program

Aggregated premium dollars across private equity portfolio companies affords greater market leverage

Improved/enhanced policy language relative to market standards

Mitigation of broader market rate volatility

Consistency of Expert Knowledge

Subject matter and industry experts are engaged from LOI through exit of investment

Intimate knowledge of portfolio companies is consistent from due diligence through to account servicing, offering better go-to-market strategy

Reduced execution risk related to weaknesses/opportunities identified during due diligence based on consistency of expert knowledge

**ENHANCED ENTERPRISE VALUE
VIA REDUCED TOTAL COST OF RISK**

Analytic Expertise

Lockton's data-driven approach to risk provides clarity for decision making

Real world experience in loss modelling and financial analysis provides an alternative to anecdotal assumptions

Loss modeling, benchmarking, and forecasting support the overall risk management program of clients and portfolio managers

Loss Control and Risk Mitigation

Consultative approach to pre and post loss mitigation efforts help to reduce frequency and severity of losses

Establishing a sound and robust loss control program helps to position portfolio companies as "best in class" further mitigating market rate changes

Lockton Northeast Transaction Advisory Practice



Lockton Transaction Advisory Practice Due Diligence Team

Employee Benefits Due Diligence



Kimberly Komlanc
SVP, Director Benefits Team Leader
917.351.2560
kkomlanc@lockton.com



Matt Lalli
VP, Transaction Advisor
917.351.2547
mlalli@lockton.com



Lisa Rafuse
VP, Transaction Advisor
646.572.7360
lrafuse@lockton.com



Carolyn Thatch
Transaction Analyst
646.572.3995
cthatch@lockton.com

Property & Casualty Due Diligence



Ben O'Neill
SVP, Director P&C Team Leader
917.351.2553
boneill@lockton.com



Matthew Menaquale
SVP, Transaction Advisor
917.351.2565
mmenaquale@lockton.com



Roger Moore
VP, Transaction Advisor
617.880.1522
rmoore@lockton.com







Boris Strogach
VP, Transaction Advisor
646.572.3970
bstrogach@lockton.com



Geoff Lowe
Transaction Analyst
646.572.3949
glowe@lockton.com

LOI to Closing and Beyond...

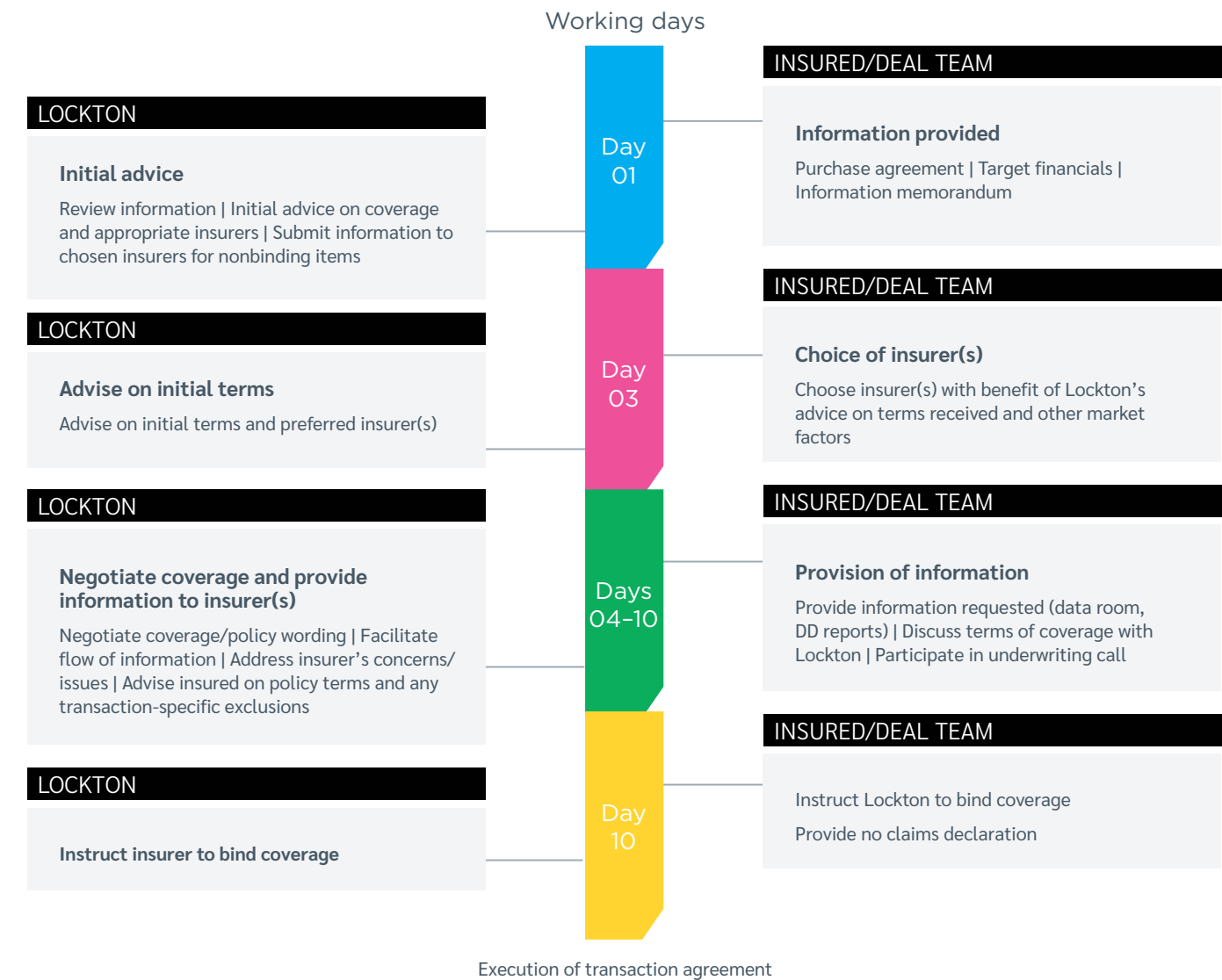
	PHASE ONE Due Diligence	PHASE TWO Deal Close Transition	PHASE THREE Client Servicing
 MERGERS & ACQUISITIONS	<ul style="list-style-type: none"> Engaged on a potential new deal. Teams are assigned and initial information needs requested. Review purchase and sale agreement and disclosure schedules. Provide commentary to ensure buyer is adequately informed of obligations under purchase agreement and ensure smooth transaction closing. 	<ul style="list-style-type: none"> PECAP Transaction Advisor remains engaged through closing to ensure all aspects of insurance and benefits program issues are addressed in a timely fashion. Assists with final reviews of disclosure schedules and purchase agreement to ensure accuracy. 	<ul style="list-style-type: none"> Ongoing diligence support for add-ons.
 INSURANCE/ BENEFITS/ RETIREMENT	<ul style="list-style-type: none"> Review P&C and employee benefits programs to identify pre and post-closing costs. Identify material issues related to gaps in coverage, compliance with regulations, or other issues. Provide commentary on efficiency and efficacy of programs and impact on buyer's financial model. Involve Lockton Producer and Private Equity Specialist to identify benefit needs post close - new benefits at end of TSA, harmonization, etc. 	<ul style="list-style-type: none"> Certificates issued to lenders as needed. Lockton benefits Producer and Private Equity Specialist will make recommendations on go forward strategy and engage with ongoing Lockton service team. Lockton Producer and Private Equity Specialist will identify benefit plan strengths, weaknesses (compliance, communication, administrative inefficiencies), and cost saving opportunities. 	<ul style="list-style-type: none"> Execute on post-close benefit set-up/harmonization needs based on agreed upon strategy. Address routine service needs of portfolio company. Address and prioritize benefit plan strengths, weaknesses and cost savings opportunities identified pre-close. Assuming BOR change, aggressively market renewals as each policy expires to ensure best terms, conditions and pricing available. Loss Control and Claims Services available when needed.
 REPS & WARRANTIES INSURANCE	<ul style="list-style-type: none"> Obtain Non-Binding Indication Letters for markets. Select carrier to move forward. 	<ul style="list-style-type: none"> Compare third party Non-Reliance Letters and diligence reports to provide to carrier. Schedule underwriting call with carrier and diligence provided. Bind policy to be effective at closing. 	<ul style="list-style-type: none"> Engaged on add-ons when required.
 DIRECTORS & OFFICERS	<ul style="list-style-type: none"> Review current coverage in-force and determine approach to run-off coverage for pre-closing liabilities. Advise on post-closing limits and structure based on new ownership. Establish prospective post-closing costs for pro-forma financials. 	<ul style="list-style-type: none"> Present marketing results and bind go-forward coverage at closing. 	<ul style="list-style-type: none"> On-going consultation and add-on support.

Reps and Warranties Insurance (RWI) Rationale

A buy-side RWI policy can enhance or replace seller indemnification under the purchase agreement.

	Typical indemnification	Typical policy
SURVIVAL OR POLICY PERIOD	12-18 months for general reps. Statute of limitations for fundamental reps.	Three years for general reps (seller's escrow still released at 12-18 months). Six years for tax and fundamental reps.
INDEMNIFICATION CAP OR POLICY LIMIT	10%-20% of purchase price for general reps. Seller escrow of such amount typically required.	10%-20% of purchase price is typical, but in some cases, buyers can insure up to 100% of the purchase price. Seller only needs to escrow 0%-1% of proceeds.
LOSS DEFINITION	Inclusion of consequential damages, diminution in value, multiplied damages and similar damage measurements often becomes a sticking point in negotiations.	Insurers are willing to follow silence with silence; as long as purchase agreement does not explicitly grant or exclude such damages, recovery of such damages is available.
MATERIALITY	Inclusion of single or double scrape and materiality qualifiers in reps often heavily negotiated.	Policy will follow scrape agreed to in purchase agreement (and insurers frequently willing to include a synthetic scrape in no seller indemnity deals).
RECOURSE FOR BREACHES	Buyer's recourse is to proceed against the escrow, which may include proceeds owed to management/rollover sellers.	After satisfaction of the retention (for which buyer has the right but not the obligation to seek recourse against the escrow), the policy will respond to all covered matters.

Process and timing



Joshua Halpern
Co-Practice Leader
halpern@lockton.com



Gaurav Sud
Co-Practice Leader
gsud@lockton.com



Eric Ziff
Co-Practice Leader
eziff@lockton.com



Matt Heinz
Co-Practice Leader
mheinz@lockton.com

Over 370 Policies Placed Annually

Aggregated annual premium placements exceeding \$140 Million

In excess of \$6.4 Billion in limits secured