

## The role of insurance in a transaction situation

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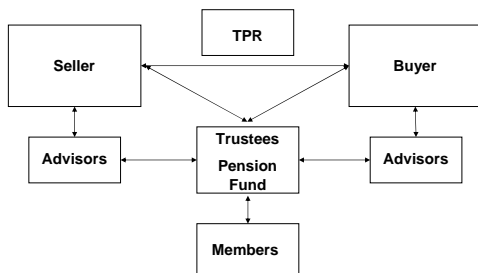
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## Merger and acquisition dynamics



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## Role of Insurance in a Bid/Transaction

- **Acquiring**
  - Acquirer understands latest position on backstop cost of full insurance
  - Figures can influence offer to and discussions with the Trustees
  - Insurance or partial insurance security can improve perception of bid by Trustees
  - Risk sharing on interest rate levels can act as a hedge for debt taken on to finance the acquisition
  - Cost of removing risks can be factored in price
  - Insurance price can help negotiations, even if not used

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## Role of Insurance in a Bid/Transaction

- **Defending/Selling**

- Seller to understand backstop cost of insurance if pension liabilities orphaned by the deal
- Figures can be used by defending Trustees to frame requests to the acquirer
- Seller can use figures to defend/negotiate section 75 issues with Trustees

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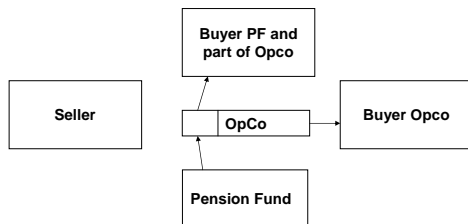
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## Alternatives

- **Third party buyer steps in**



Clearly any such action has to fully consider the security of the pension fund and not leave it abandoned without adequate resources

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## Factoring in the Corporate covenant

Starting Rating	Probability of Default within 100 years
AAA	44.43%
AA	52.53%
A	52.53%
BBB	66.50%
BB	77.68%
B	87.22%
CCC	93.29%

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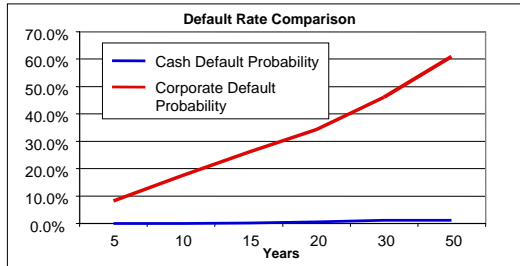
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## Considering the corporate covenant: BB rated



Cash is deemed to be 20% of buy out price invested to achieve 100bps over LIBOR

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## Considering the corporate covenant - BB rated

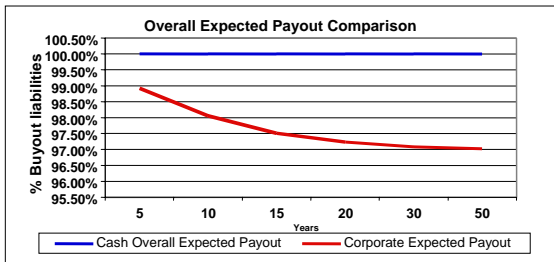


Chart shows expected % of benefits paid if plan is 80% funded to buy out and in the cash case there is 20% of cash ringfenced to support the plan

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