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New ACE White Paper Examines Mergers & Acquisitions Risk Management Relative to Global Environmental Liability Issues

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PHILADELPHIA--(BUSINESS WIRE)--ACE USA, the U.S.-based retail operations of the ACE Group, today announced the release of a white paper exploring the insurance and risk management issues that global companies and private equity firms confront when seeking strategic merger and acquisition growth opportunities in the marketplace, and more specifically, when confronting ever-expanding and stricter environmental liability laws and regulations. Such liabilities encompass a broad range of perils, including pollution, contamination, mold, hazardous waste, and toxic chemicals in water, air, or on land. Identifying these exposures, and assembling an effective insurance strategy to transfer environmental liabilities, is a vital element of the M&A transaction process.

“M&A Risk Management: Global Environmental Liability” was authored by Seth Gillston, Senior Vice President, ACE Global Mergers & Acquisitions Industry Practice; Scott Meyer, Executive Vice President, ACE Professional Risk and Jon Peeples, Vice President, ACE Environmental Risk. Their new white paper addresses global M&A and environmental liability trends in the context of exposures for directors and officers, and examines ways to effectively manage and transfer these risks.

Although the rate of global mergers and acquisitions has slowed in recent years, M&A experts believe an uptick is forthcoming. According to Mr. Gillston, “Certainly, for those companies with strong balance sheets, access to inexpensive debt, and superior working capital management practices, M&A will remain a core part of their strategic growth priorities, both domestically and abroad. Companies seeking a stronger foothold in emerging markets -- particularly within those countries that have liberalized foreign ownership rules -- will continue to pursue M&A as a means of entry. In doing so, they will confront compliance with a patchwork quilt of constantly shifting environmental laws and regulations.”

In addition, Mr. Peeples observed that there are thousands of environmental regulations pending approval from legislators and regulators around the world. And, Mr. Peeples added, “These evolving legal and regulatory regimes pose compliance risks for multinational companies acquiring and/or divesting enterprises, as they require more in-depth due diligence for a target company’s past and present environmental liabilities.”

At the same time, Mr. Gillston commented, “Directors and officers, along with risk managers who are considering their companies’ and their own post-M&A-transaction environmental liabilities, should aspire to leave no ambiguities on the table.”

Finally, Mr. Meyer observed that, “The threat of share price volatility in the months after a deal closes is typically higher -- possibly inciting shareholder or subsequent-acquirer lawsuits against directors and officers, for misrepresentations, breaches of fiduciary duties, or violations of the securities laws. This enhanced financial exposure argues for accessing the services provided by an experienced D&O insurer. Such carriers have a one-stop shopping approach to insuring environmental risks and other liabilities, inherent in a merger or acquisition. They offer the required responsiveness to facilitate the closing of transactions within set timetables, thus minimizing the possibility of an emergency of unexpected and uninsured post-transaction liabilities. As M&A activity picks up, as anticipated, and more countries enact broader and stricter anti-pollution laws, such liabilities are sure to increase for directors and officers.”

As part of a thorough mergers & acquisitions insurance and risk management program, acquiring companies should partner with an insurer who has significant experience in managing a target’s environmental liabilities obligations, in addition to the following key attributes:

- An understanding of the applicable regulations
- A specialization in this type of coverage, in order to thoroughly understand the risks involved in addressing collateral responsibilities from an efficient risk-transfer standpoint
- An ability to identify environmental legacy liabilities in global mergers & acquisitions
- Financial strength and an excellent reputation
- The ability to offer a broad range of products
- Worldwide coverage offerings, with locally admitted policies, for international companies

To access the report, please visit our website. The material presented in this report is not intended to provide legal or other expert advice. It is presented as informational only. Readers should consult legal counsel or other experts, as applicable, with any specific questions they may have.

The ACE Group is one of the world’s largest multiline property and casualty insurers. With operations in 53 countries, ACE provides commercial and personal property and casualty insurance, personal accident supplemental health insurance, *reinsurance, and life insurance to a diverse group of clients. ACE Limited, the parent company of the ACE Group, is listed on the New York Stock Exchange (NYSE: ACE) and is a component of the S&P 500 index. Additional information can be found at: www.acegroup.com.*

Language:
English

Contact:

ACE North America Communications
Carla Ferrara, 215-640-4744
carla.ferrara@acegroup.com

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