

## Insurance M&A

Insurance M&A activity remains strong. Beyond the numbers, i.e. valuation, price, deal economics, etc., there are three areas that could have a significant impact on the deal and warrant attention.

**Motivation:** In a friendly transaction with a willing buyer and a willing seller, this should not be difficult to understand. However, it is important for each party to understand the expectations of the other so that negotiations can produce a deal acceptable to both. Talks often break down when participants fail to recognize what is important to the other. That is not to say that knowing the motivation and expectation of each party will always result in a completed deal, but not knowing that creates a significant obstacle to the deal being done.

**Culture:** A key assessment that needs to be made early in the process is to determine whether there is a good strategic and cultural fit. Understanding the cultures of each party and, in particular, the differences, is critical to the successful completion of the deal and the ongoing operation of the organization. In addition to systems and processes, companies with different cultures, values, policies, etc. could find it more difficult to achieve the synergies and financial goals of the deal. Not addressing these issues early could significantly impact the post-closing integration and deal benefits. Understanding the cultural differences and having a plan for resolving them (if significant) can go a long way to ensuring the success of the combined business.

**Post-closing Integration:** Once again, clear expectations of each party early in the process is essential. Both buyers and sellers should understand what will happen operationally once the deal is closed. The seller should inquire early in the process about the buyer's plans in terms of organization structure and integration to determine whether it aligns with the seller's expectations. For instance, a seller might expect that the operations will remain largely intact while the buyer might plan to merge and consolidate them. Understanding that could have significant impact on whether the deal goes through or how it is structured.

## M&A Services

<p><b>HCH Advisors' buy side M&amp;A Services include:</b></p> <ul style="list-style-type: none"> <li>• Outsourced Strategy and Corporate Development</li> <li>• Deal process management</li> <li>• Target evaluation – strategic, financial, operational</li> <li>• Identification of synergies</li> <li>• Due Diligence</li> <li>• Financial models</li> <li>• Coordination of advisors, including investment bankers</li> <li>• Post-closing integration management</li> </ul>	<p><b>HCH Advisors' sell side M&amp;A Services include:</b></p> <ul style="list-style-type: none"> <li>• Operational review to identify potential issues prior to due diligence being conducted</li> <li>• Deal process management and advisory</li> <li>• Analysis and evaluation of proposals</li> <li>• Financial projections</li> <li>• Due diligence coordination</li> <li>• Coordination of advisors, including investment bankers</li> <li>• Coordination with buyer on post-closing integration</li> </ul>
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Buyers and sellers spend a considerable amount of time and money when contemplating a transaction. When the process goes smoothly, the deal generally gets done. When the process does not go smoothly, it is often due to a surprise discovered in due diligence.

HCH Advisors believes these surprises can be avoided with an operational review of the selling entity before identifying a buyer and the beginning of due diligence. Identifying potential issues early allows the seller's management time to address and mitigate the issue, or at least, to explain and present a plan for addressing it.