

Healthcare Representations and Warranties Insurance: Providing Coverage for Regulatory Compliance

Representations and Warranties (R&W) insurance is designed to cover losses resulting from the breach of a Seller's representations and warranties within a purchase agreement, typically used to:

- **Replace** traditional indemnification and escrow under a purchase agreement
- **Supplement / Increase** the existing indemnification limit and terms
- **Backstop** a Seller's existing indemnification and corresponding escrow requirements

Historically, R&W policies have excluded coverage for any healthcare-related exposures.

Equity Risk Partners has built a process to structure policies that provide coverage for the regulatory and billing risks encompassed by healthcare representations under the purchase and sale agreement.

These policies provide coverage for ALL Representations and Warranties.

Coverage can now include the following healthcare representations under a purchase agreement:

- Government contract and program compliance
- Billing risk – including Medicare and Medicaid
- Anti-kickback risk
- HIPPA / HITECH
- Improper arrangements, contracts, and referrals
- Government audit management
- Provider credentialing / initial and ongoing provider screening

Strategic Benefits to Seller:

- Reduce or eliminate indemnity/escrow to provide 99%+ proceeds at close
- Box in Healthcare-related liabilities
- Reduce tail liability
- Distribute capital earlier to LPs

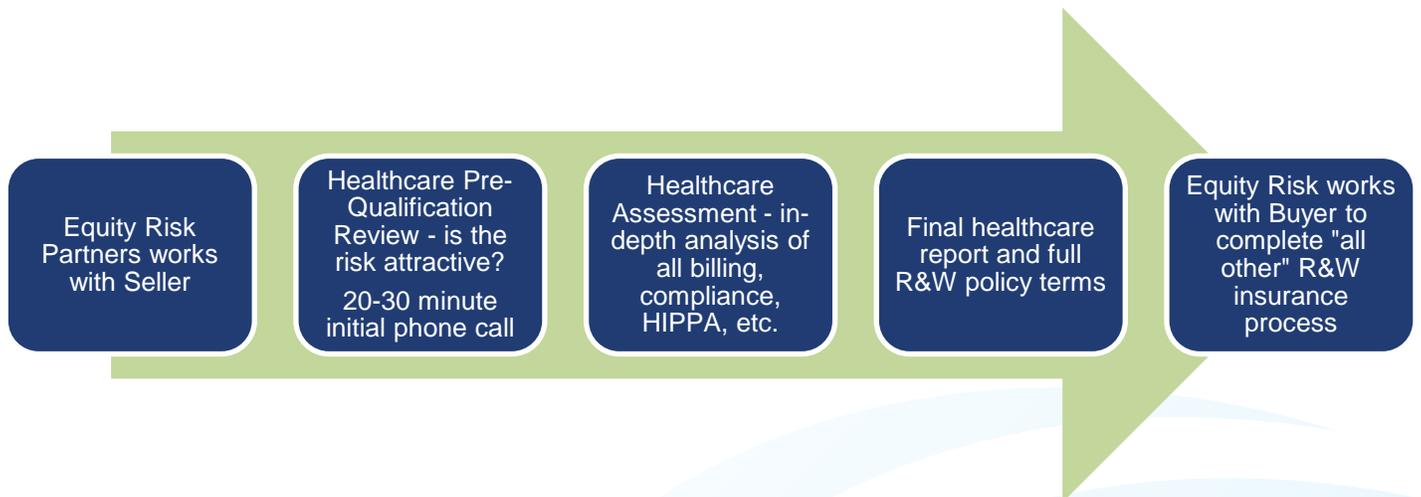
Strategic Benefits to Buyer:

- Differentiate bid in a Healthcare auction process with far more competitive indemnity terms to Seller
- Extend survival periods of protection
- Expedite negotiation process of R&W and other transaction terms

Equity Risk Partners

Equity Risk Partners' Proprietary R&W Program for Healthcare Coverage

Equity Risk Partners has worked closely with independent healthcare experts to build an underwriting platform to “fill the gap” previously found in Healthcare-related transactions.



- Typically initiated by a prospective Seller in order to confirm the coverage of healthcare-related R&W and then delivered to a Buyer for coverage of all R&W at close.
- Standard timing to obtain an Equity Risk Partners Healthcare Assessment: **4 weeks**
 - **Critical** to initiate healthcare program diligence early in the sale process to deliver the initial draft agreement to bidders outlining coverage for ALL R&W will be covered by a policy.
- Once Seller has completed the healthcare R&W program, the standard R&W insurance process for “all other” representations begins with the prospective Buyer.
- The overall benefit to both Buyer and Seller is an expedited transaction process and simplified negotiations through the transfer of this significant risk to insurance markets.
- Healthcare-related R&W underwriting is significantly more complex than the typical R&W insurance process with which most are familiar, having limited insurers with appetite for these risks

Sellers can take *advantage of a **comprehensive R&W insurance solution*** that includes healthcare-related representations and warranties, ***increasing proceeds and overall transaction value.***

Equity Risk Partners' Experience

170

Transactions on which Equity Risk Partners has advised in the last 12 months

\$10.0+ Billion

Total transaction value with R&W capital utilized

\$4.0+ Billion

Total Healthcare transaction value

Equity Risk Partners

Equity Risk Partners – Transactional Risk Leaders**Michael Marcon – President, HUB International and Founder, Equity Risk Partners**

Michael Marcon has more than 25 years of insurance experience, pioneering the delivery of insurance due diligence to private equity firms and specializing in alternative risk financing and transactional insurance products. Before launching Equity Risk Partners, Michael was Executive Vice President of Aon Risk Services - Mergers and Acquisitions Group and he was instrumental in creating the Private Equity practice for Aon's predecessor company, Rollins Hudig Hall. Michael holds an undergraduate degree in Economics from Ursinus College, where he recently served as the chairman of the board of trustees, as well as a MBA in Finance from Drexel University.



Michael tweets from @mcm7464 and can also be reached through his blog, Michael Marcon Tweets, where he writes (and tweets) about business, tradition, and life.

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Kirk Sanderson – Senior Vice President – Transactional Risk Practice Leader

Kirk joined Equity Risk Partners in 2014. He has more than 10 years of M&A and transaction advisory experience and is responsible for overseeing the Transaction Risk / M&A Insurance Practice. Kirk directs the strategic planning, business development and delivery of Transaction Risk programs at Equity Risk Partners, including Representations and Warranties insurance, tax liability and tax credit insurance, and other contingent liability insurance solutions.



Prior to joining Equity Risk Partners, Kirk spent 7 years at Aon in the M&A Solutions group, where he helped build the Transaction Solutions team. Kirk graduated with a MBA in Strategy and Finance from Bentley University.

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Brian Cullen – Senior Vice President

Brian Cullen is a Senior Vice President with over 20 years of insurance experience. Brian is responsible for overseeing pre-acquisition due diligence on behalf of our private equity clients and their portfolio companies. He is also responsible for managing and coordinating the service team execution with a focus on reducing the overall cost of risk. Prior to joining Equity Risk Partners in 2014, Brian worked at Aon Risk Services for more than 16 years, where he was responsible for producing and managing his private equity clients and their portfolio companies. Brian graduated from Gettysburg College with a degree in English and Classics.



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Luke Parsons – Principal

Luke joined Equity Risk Partners in 2014 and is responsible for overseeing and leading due diligence and service teams from pre-LOI through divestiture of portfolio companies for our private equity clients. Before Equity Risk Partners, Luke worked as an underwriter at Travelers Global Technology in San Francisco, underwriting Property, Casualty, Workers' Compensation, Professional Liability, and Cyber Liability. Luke received a BA in Leadership Studies from the University of Richmond and a MBA from Babson College. He also holds the Associate in Risk Management designation.



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