

CASE STUDY:
Private Equity

Private Equity Firm's Engineering Partnership Pays Off

How Chubb didn't "let the issues spoil the deal" – Part 2

When a private equity (PE) firm, a long-time Chubb client, acquired a food manufacturer, there were significant barriers to getting insurance.

The food manufacturing facility had a number of critical risk deficiencies that needed to be addressed — significant and costly issues that limited other carriers' willingness to provide coverage.

Chubb's underwriters and risk engineers saw beyond the issues, and Chubb took on 50% of the primary Property risk as well as other

Casualty coverages. This placement enabled admitted excess Property capacity and allowed the deal to close. ([See Part 1](#))

Once the manufacturer's coverage was placed, Chubb partnered with the client and their PE sponsor in a consultative approach to improve the client's operations and reduce their total cost of risk.





Chubb risk engineers find creative solutions to address the risk concerns

Part of the deal in providing coverage for the food manufacturer was the agreement that the PE firm would address various engineering recommendations to adequately protect their facility:

Inadequate Fire Protection:

The NFPA code indicated a need for the company to upgrade their sprinkler system — a very expensive investment. However, Chubb's risk engineers suggested a low-cost, creative solution instead: a reconfigured stock and flammable liquid storage plan within the existing facility and their existing sprinkler system, for a fraction of the cost.

Composite Insulated Panels:

Because the company produces salad dressings and dips that need to be refrigerated, their facility included sizable walk-in coolers. The existing construction wasn't compliant with current fire standards, however — in the event of a fire, the foam-filled composite insulated panels posed an ignition risk which may quickly spread the fire to other areas of the building. The PE firm worked with our engineers to replace all the panels with fire-rated construction at a cost of nearly \$2 million — a significant capital investment.

Lithium-Ion Forklift Charging Stations:

Chubb's risk engineers even spotted another risk that could be easily addressed. The insured operated lithium ion charged forklifts, with charging stations against the walk-in coolers. By installing an inexpensive drywall fire barrier between the charging stations and the updated walk-in coolers, the fire risk was decreased even further with only a small additional investment.

ROI and premium savings in Year 1

When it came time for the company's property insurance program renewal, things looked very different. With all the safety improvements underway, not only was Chubb more comfortable in taking on the entire property exposure, they repriced the program to reflect a well-protected risk. With a 100% primary placement, the PE firm was able to forego the excess policy and, in the end, reduced their property insurance costs by 45% — over a 10% return on investment in just the first 12 months.

As the private equity firm potentially grows in the food and manufacturing space, Chubb Risk Consulting and our full team of risk engineers will remain a partner to help them maximize the margins of their portfolio company investments.

Want to see how Chubb can help you solve unique risk challenges?

Contact your broker, agent, or local Chubb underwriter today.

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