



# Transactional Risk & Insurance

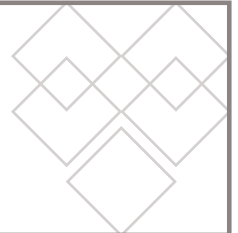
2021



PROFILED:

**ROY H. REYNOLDS**

Great American Insurance Company





Transactional Risk  
& Insurance



## ROY H. REYNOLDS

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### PERSONAL BIOGRAPHY

**Roy Reynolds** is divisional president, Great American Insurance Group M&A Liability Division. He has been underwriting tax indemnity and representations & warranties insurance for almost 20 years, making him one of the most experienced underwriters in the US market. He practiced M&A and tax law before transitioning into insurance. He earned his JD from Georgetown University and an MBA from the University of Chicago's Booth School of Business.



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## Q&amp;A WITH ROY H. REYNOLDS

**Looking back, have you fulfilled the ambitions and aspirations you set for yourself early in your career?**

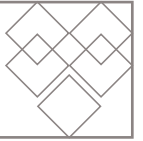
◆ Early in my career, I wanted to become an entrepreneur. To build the right skillset, I studied for a JD and an MBA and practiced law as a tax and M&A attorney. Underwriting transactional risk insurance employs all these skills and experience. At one point, I came close to starting my own managing general underwriting company. However, Great American Insurance Group has provided me with an opportunity to be an intrapreneur. Its business model is to hire specialists and empower them to do their jobs. This approach has enabled me to manage the transactional risk business in an entrepreneurial manner, backed by the financial strength and stability of Great American Insurance Company. I have always been interested in international business, so I studied Japanese, German, Thai and Mandarin. Ironically, now the only business I do internationally is in English, with Lloyd's of London.

**What strengths and characteristics do you, your team and your firm strive to demonstrate to clients?**

◆ My team at Great American strives for efficient execution of deals. Transactional risk insurance has become an integral part of M&A deals. Such deals operate on tight timelines and often outside of ordinary business hours. The underwriting process is complex and time consuming. The parties need to know the scope of their insurance coverage to structure their deals, so we work hard to perform our underwriting in 'deal time'. Our underwriters have the technical expertise to assess risks and implement innovative solutions to facilitate deals. The team includes not just former M&A lawyers but also underwriters with other relevant



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expertise, particularly in accounting and financial statement analysis. We have a streamlined decision-making process which allows us to be highly responsive and flexible as deals evolve.



**Reflecting on your area of expertise, how do you see this sphere of the market shaping up over the coming months? Are any exciting trends or developments on the horizon?**

◆ Representations & warranties insurance (RWI) is booming. This rapid growth has resulted not only from a hot M&A market but more importantly from increasing adoption of the product by M&A deal parties. In the early years of the product, attorneys were sceptical of RWI. Today, most M&A attorneys are skilled in using the insurance as risk capital to reduce or eliminate escrow, take off the table risks that were not detected in the due diligence process, eliminate long-tail risk to facilitate distributions to private equity fund members or otherwise free up capital reserves, and to expedite negotiations to allocate risk among the parties. I anticipate the hard market will continue. Although M&A activity is likely to slow down next year, I expect the uptake trend will continue to drive demand toward a higher percentage of deals using RWI, resulting in a continued hard market in 2022. ■

**“REPRESENTATIONS & WARRANTIES INSURANCE (RWI) IS BOOMING. THIS RAPID GROWTH HAS RESULTED NOT ONLY FROM A HOT M&A MARKET BUT MORE IMPORTANTLY FROM INCREASING ADOPTION OF THE PRODUCT BY M&A DEAL PARTIES.”**

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**REPRESENTATIVE ENGAGEMENTS**

- ◆ Acquisition of a company providing emergency response and crisis management for environmental threats, toxicology, occupational health, industrial hygiene and safety assessment. The company assists governments, companies and communities to prepare for, respond to and recover from threats, disasters and emergencies.
- ◆ Purchase of a company providing technology, research & development, products, assembly, integration, test and engineering services for governmental and commercial ground, air and space applications. Specialises in precision stabilisation, tracking, pointing, controls and real-time processing solutions.
- ◆ Regarding tax, following a restructuring of properties held in various trusts, the issue was whether the 'mixing bowl' transaction rules or the doctrine of disguised sale might apply to a subsequent liquidation.
- ◆ Regarding tax, the covered tax position was whether a non-taxable distribution of stock to a subsidiary followed by a sale of that stock would be recharacterised for tax purposes as a taxable sale by the parent followed by a distribution of the proceeds.

