Merge Ahead: Avoiding Common Pitfalls of Mergers and Acquisitions

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Learning Objectives

• Understanding the financial impact
• Planning and executing a successful new risk management program
• Communicating and collaborating with internal and external partners
• Setting goals and measurements to define success
Why Merge or Acquire?

Completed November 2013

Office DEPOT + OfficeMax

Pending

STAPLES + Office DEPOT
Risk Manager’s Road Map

- Determine financial synergy goals
- Plan for success
- Meet new team and transition claims management program
- Combine insurance program
- Create unified processes and procedures
- Measure and improve the program
Determine Financial Synergies
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• Do you have insurance schedules
  • Compare types of insurance
  • Compare self-insured retention (SIRs) / deductibles and limits

• Three main areas to obtain financial synergies
  • Vendor fees
  • Premiums
  • Headcount

• Consider one-time acquisition expenses and how they are tracked
  • Tail coverage
  • RMIS conversion fees
Plan for Success

• What needs to happen first?
• D&O and fiduciary insurance will roll into acquirer’s program
• Cyber insurance should be combined quickly if interconnectivity
• Confirm go-forward vendors
• Insurance renewal balance
  • Extension, stub period or renewal? Negotiate pro-rata premium returns
Plan for Success

• Casualty
  • Common insurers or need to bid incumbents
  • Collateral impact
  • TPA & MC decisions made? Run-off or transfer tail claims?
  • Insured vs. self-insured state decisions
  • Self-administration
  • Non-subscription
  • Claim process; how and when to report claims

• Property
  • CAT exposures, STP, BI, etc.

• Collaborate with colleagues for input and alignment
Plan for Success

• People component – talent retention & attraction
• Uncertainty can cause fear
  • Everyone has different circumstances and triggers
• Keep team focused and motivated
  • Listen
  • Communicate often and empathically
  • Lead by example
  • Increase appreciation, encouragement and celebrations
  • Have FUN!
Combine Insurance Programs

• Negotiate premiums and fees
• Track financial synergies
• RMIS
  • Detailed, tedious, time consuming and so very important
• Communicate progress often to team and superiors
• Develop processes and procedures
• Decide on KPIs and Reporting
Meet New Team
Transition Claims Management

• When and how to report claims
• TPA vs. self-administration
• TPA run-off vs. transfer
• Lite duty program
Transition Claims Management

• Differentiate occupational versus non-occupational
• Compare major differences in claims management of two companies
• Examine how these differences can affect injured workers’ return-to-work progress
Measure & Improve

• Monitor Key Performance Indicators (KPIs)
• Manage procedures
• Measure results
• Identify opportunities for improvements
• Run analytics that creates actionable directives
Lessons Learned

• Be open-minded
• Detailed & early planning = better chance of success
• Put yourself in other peoples’ shoes