

Legal aspects of M&A deals in the Russian insurance sector

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Structuring: on-shore

- **M&A deals between Russian companies**
- **Merger/takeover**
 - Policyholders as creditors
 - Prior reorganisation may be required if companies are in different legal forms
 - Merger control
- **“Asset” deals**
 - Transfer of portfolio?
 - Transfer of enterprise?
- **Share deals**
 - Put/call options are problematic under Russian law

Structuring: on-shore (contd.)

- **Acquisition of 100% by foreign investors from Russian shareholders**
 - Merger control
 - No conditions precedent in case of LLC (notarial certification)
 - Regulatory approval (quota)
- **Intermediary Russian holdings?**
- **Subsidiary issue**
 - Majority stake
 - Agreement
 - “Otherwise clause”

Structuring: off-shore

- **M&A deals involving foreign investors (JVs, share deals)**
 - Shareholder agreements are enforceable
 - Merger control
- **Pre-transaction restructuring**
 - Merger control
 - Regulatory approval (quota)

Foreign investors – hanged and quartered?

- Article 6 (3) of the Law on Organisation of Insurance Industry
 - 25% quota on foreign investment
- Order No 97 dated 4 March 2011
 - 22.42% as of 1 January 2011
- No free quota as applications for increase of capital rejected in early – mid 2011, but some satisfied recently
- Actually the door opens and closes as we speak

Due diligence

- Quality of capital and reserves including investigation into the history of investing capital and reserves;
- Participation in public procurement tenders;
- Distribution arrangements including bancassurance;
- Consumer protection issues including CASCO and CMTPL practices
- Relations with the Federal Anti-Monopoly Service;
- Relations with the Federal Service for Financial Markets;
- Relations with tax authorities;
- Relations between the head office and branches;

Due diligence (contd.)

- Personal data;
- Reinsurance arrangements;
- Labour and service contracts with key team members;
- Litigation concerning insurance claims and other matters;
- Anti-money laundering procedures and other compliance issues;
- Any change of control provisions in agreements especially in financing arrangements.

THANK YOU FOR YOUR ATTENTION



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