

## Hartford's \$2B Navigators Buy Draws Del. Disclosure Suit

By **Vince Sullivan**

Law360 (October 15, 2018, 8:47 PM EDT) -- A shareholder of The Navigators Group Inc. alleges in a Delaware federal court suit filed Monday that the insurance company and its directors omitted important information from a proxy statement detailing The Hartford Financial Services Group Inc.'s \$2.1 billion acquisition of the firm.

In the proposed class action complaint, shareholder Michael Kent said that a variety of information was left out of a proxy statement filed by The Navigators with the U.S. Securities and Exchange Commission earlier this month. That information is material for shareholders who are scheduled to vote on the transaction Nov. 16, and the proxy is false and misleading without it, the complaint says.

The proxy violates the Securities Exchange Act of 1934 because it omits information about the analyses conducted by The Navigators' financial advisers — Goldman Sachs & Co. LLC and Moelis & Company LLC — and the methodologies they used to come to their conclusions about the transaction with The Hartford, the suit alleges.

"When a banker's endorsement of the fairness of a transaction is touted to shareholders, the valuation methods used to arrive at that opinion as well as the key inputs and range of ultimate values generated by those analyses must be disclosed," the complaint says.

Kent alleges the proxy is missing information about the inputs Goldman used when calculating the range of discount rates for the deal as well as projections about future net operating income for The Navigators. The proxy is also silent about the figures used by Moelis in its analysis, including terminal value estimates for the company, the complaint says.

There is also material information about the potential conflicts of interest of Goldman and Moelis missing from the document, Kent alleges, including whether or not Moelis has done work for any of the merger parties and the structuring of the advisers' service fees.

"Full disclosure of investment banker compensation and all potential conflicts is required due to the central role played by investment banks in the evaluation, exploration, selection, and implementation of strategic alternatives," the complaint said.

Kent says the absence of this information renders the proxy statement false and misleading because disclosure of these facts would significantly alter the total mix of information available to shareholders prior to their scheduled vote on the merger.

The suit seeks to enjoin the consummation of the merger, or if it is consummated, to rescind the transaction, and asks the court to direct The Navigators to file an amended proxy statement that includes the omitted information.

Representatives for Kent and The Navigators could not immediately be reached late Monday for comment.

The parties announced the deal in August, with The Hartford saying the all-cash deal will see the company pay \$70 per Navigators share, representing an 18.6 percent premium on the company's

average stock price over the previous 90 trading days.

The Hartford — a provider of property and casualty insurance, group benefits and mutual funds — said at the time that the deal for Navigators improves its capabilities through the addition of new U.S. and international insurance and global reinsurance services for the maritime, construction, energy and life sciences industries, among others.

The deal would see The Hartford take control of a company with 820 employees globally, 600 of whom are based in the U.S. Navigators, which is headquartered in Stamford, Connecticut, has 22 U.S. and eight international locations.

The Hartford's deal for Navigators is its second big-money acquisition in the past 12 months. The company in October 2017 agreed to buy Aetna Inc.'s group life and disability unit for \$1.45 billion in a deal that made The Hartford the second-largest provider of group life and disability coverage in the U.S.

Kent is represented by Brian D. Long and Gina M. Serra of Rigrinsky & Long PA and Richard A. Maniskas of RM Law PC.

Counsel information for The Navigators and its directors was not immediately available Monday.

The case is Michael Kent et al. v. The Navigators Group Inc. et al., case number 1:18-cv-01580, in the U.S. District Court for the District of Delaware.

--Additional reporting by Matthew Guarnaccia. Editing by Jill Coffey.