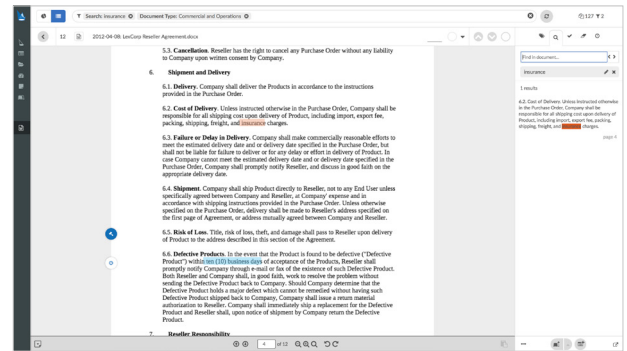


## LUMINANCE DILIGENCE USE CASE

# Insurance Underwriting

The Warranty and Indemnity (W&I) insurance market has seen tremendous growth in recent years as a means by which risk in M&A transactions can be mitigated. Indeed, strong year-on-year uptake of W&I insurance cover has created a virtuous circle whereby more providers come into the marketplace, in turn driving down costs for this type of insurance, thus creating even more demand for this cover. Not only does this place increased demand on insurers, but as the number of W&I insurance customers have grown, so too have the number of claims that underwriters need to review and process.



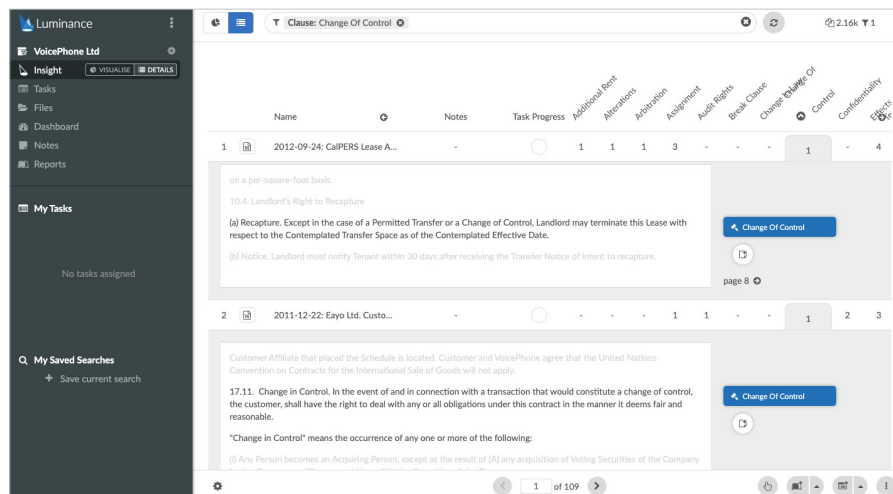
In order to issue the insurance cover, underwriters must analyse the likelihood that a potential financial risk occurs or that a previously unknown or undetected risk arises. In doing so, underwriters would look aim to look at and understand a vast array of provisions within the legal Due Diligence report provided by the client's lawyers, which will have been taken from a multitude of business areas, including corporate documents outlining the legal structure of the company, share certificates, articles of incorporation, board minutes, shareholder agreements, employment agreements of directors, options and other rights to purchase shares and lists of all real estate owned by company. And since M&A underwriting is not a solely legal activity, underwriters will also explore Tax and Financial Due Diligence reports provided by the client to understand whether the business is operating properly and see whether it is a good risk or not for the Senior Underwriter to undertake. Clearly, the scale of the review is vast, and when relying on manual-only investigations, the task is often costly and time-consuming. Indeed, without the aid of technology, insurers may only have the time and resources to look at a sample of the document set, increasing the possibility that key information will be missed within the unsampled documents.

Faced with the challenge of reviewing a substantial amount of documentation to a tight deadline, many insurers are turning to Luminance to assist them in completing a full and thorough review in an expedited manner. Luminance uses a unique blend of cutting edge supervised and unsupervised machine learning which reads and forms an understanding of all documents within a dataset. Luminance analyses documents, tagging key information such as contract type, dates, parties, governing law and critical clauses, such as Change of Control, Limitation of Liability, Governing Law, Assignment, Indemnification, Representation and Warranties, Termination, Confidentiality and Effects of Termination. Luminance also flags anomalies to the lawyer so that they can prioritise potential risks at the beginning of the review. Luminance displays this key information across a number of graphic, interactive widgets on the home screen, allowing lawyers to quickly filter to documents that are pertinent to their assessment of the risks within a transaction. Luminance dramatically increases the speed of review, allowing underwriters to spend additional time on their assessment of the business and increasing the client's confidence in the resulting Insurance Policy.

Luminance comes with a range of collaboration and project management tools built-in to ensure a seamless review across offices or home working locations, whilst also preventing duplication of valuable work effort. Features such as task creation, automatic task allocation and granular progress tracking allow the whole team to see at a glance how the project is going. Whilst working in their allotted tasks, users can apply notes to flag clauses that might have implications for the policy; where users want to apply this note throughout the data set, they

## LUMINANCE DILIGENCE USE CASE

### Underwriting



can use the bulk notes feature and all similarly-worded clauses will be tagged with the note. When the review is complete, the underwriting team can quickly generate a report of their findings which automatically captures all work product, allowing them to have one file with all of the questions that they have regarding any of information in the Due Diligence report to the client during the Underwriting Call. This document can also be used internally when making a final decision as to the policy and policy exclusions for the transaction.

Luminance is able to read and form an understanding of the dataset at hand, providing lawyers with an unparalleled insight on day one of the review. MGA Ascent Underwriting deployed Luminance's ground-breaking machine learning technology to expose potential risks across their transactional liability portfolio. For one project, Ascent used Luminance to identify risk in a data room of nearly 1,700 documents. Luminance's language agnostic technology allowed the team to work seamlessly across languages and jurisdictions. As a result, Luminance was able to spot in the first few minutes that there was German Governing Law which did not match the location of the subsidiary. Alex Smith, Head of Transactional Liability at Ascent, commented that, "Luminance optimises underwriting by instantly highlighting all potential risks across a huge volume of documents." Ascent also found that the software's collaboration tools allow the team to easily monitor which contracts have already been reviewed so as not to duplicate work, resulting in additional time-savings. Using Luminance's pioneering technology, underwriters can have greater confidence to underwrite and reduce the time spent on manual, repetitive work by up to 90%. With the power to speed up review and manage teams more efficiently, they can free up time to concentrate on higher value tasks such as communicating with clients. By rapidly surfacing key information, AI offers unrivalled opportunities for the insurance market.



**“The greatest benefit of Luminance lies within the immediate insight into the contents of the virtual data room. This allowed us to provide a more sound product to our client.”**

Nick de Rooij, Associate, Dentons Amsterdam

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# Luminance Workflow Guide

## Underwriting

### Scenario

You are an underwriter working at a Global Insurance Company. You have less than two days to review thousands of documents for an M&A deal. The review is being conducted under a short transaction timeline, as the client was negotiating a sale agreement where a warranty related to the number of contracts that contained a 'Change of Control' clause. As there are thousands of documents and a tight time line, it is vital that the review is detailed, efficient and cost effective. Given this you will be deploying Luminance's market-leading artificial intelligence technology to enhance the team's ability to complete this review.



### Key Benefits

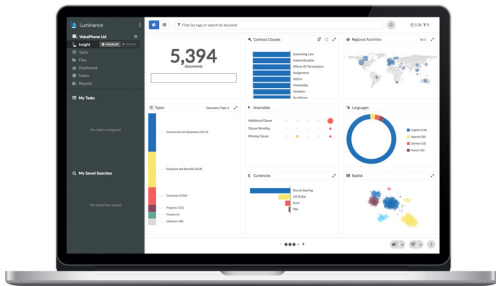
- ✓ Achieve significant time savings
- ✓ Quickly identify key provisions
- ✓ Achieve a more comprehensive review with confidence in the results

### Review Process

After the documents have been uploaded into Luminance, the workflow for conducting the review comprises 5 key steps:

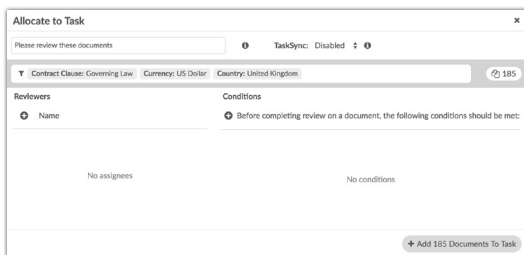
1. Get a sense of the dataset using the Visualise screen
2. Assign to a Task to keep track of the review
3. Identify, tag and review key provisions
4. Add Notes indicating your analysis
5. Generate a report

## Step 1: Get a sense of the dataset using the Visualise screen

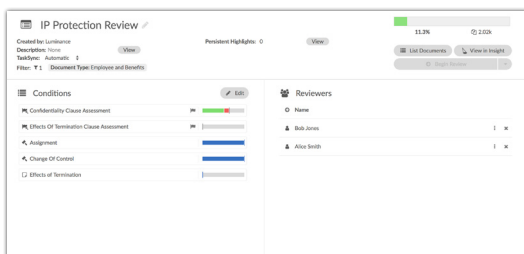


Luminance's Insight Visualise provides users with a global overview of the contracts and the ability to drill down into the key clauses and concepts. Lawyers can understand the data room at a glance, immediately identifying contract and document types, clauses, governing laws, languages, anomalies and more. The intuitive, user-friendly interface allows users to quickly cross check the legal due diligence against what is highlighted within Luminance. For example, users can quickly determine how many documents contain a Change of Control. Additionally, other information, such as the mention of certain countries, will also be presented from the Visualise screen.

## Step 2: Assign documents to a Task to keep track of the review

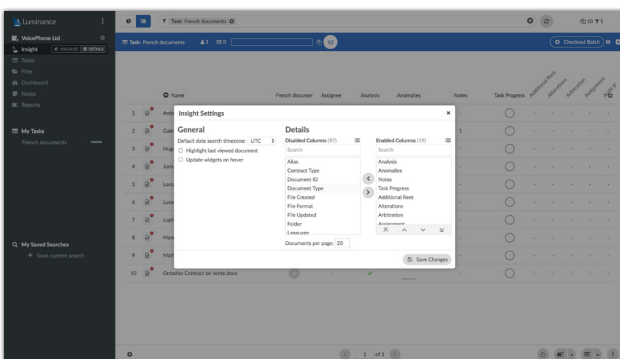


Using Luminance's project management tools, documents can be allocated into Tasks for yourself or others, allowing lawyers to focus and keep track of their review.






The user reviewing the documents can tick through documents which have been reviewed. As the lawyers move through the documents and continue their review, the Dashboard will be updated in real-time, meaning progress can be tracked throughout the review period. This means you can quickly see the documents you have already reviewed and focus on those you have not had a chance to look at yet.

## Step 3: Identify, tag and review key provisions

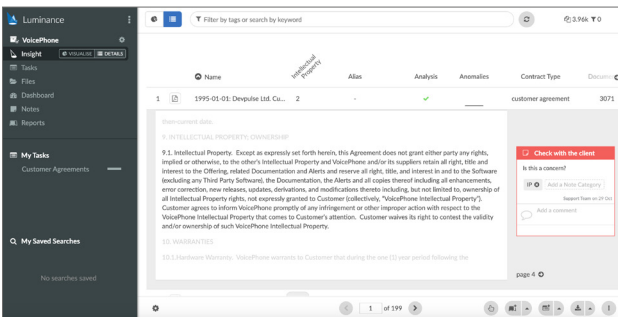


To review specific clauses within the documents you have been assigned, filter to the clause using the Filter Bar and view all the instances where the clause appears via the clause column in Insight Details. This allows you to rapidly move through the examples, removing the need to open each individual document. Here, you are looking at documents that contain a Change of Control clause. Using the Visualise Screen, navigate to the documents that have a Change of Control clause, under the 'Clauses' Widget.

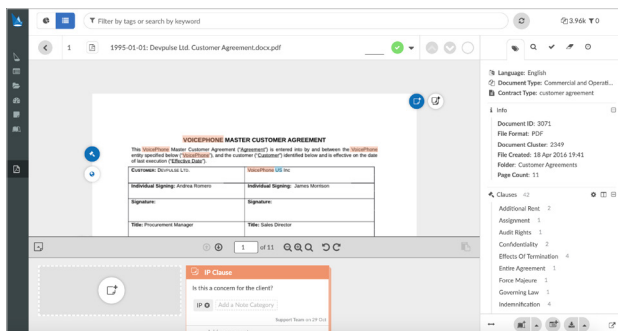
Opening the Insight Details screen, you can customise the page to show you the Change of Control clauses using the  in the bottom left corner. If needed, you can quickly check all clauses here.


You may also wish to spot check the documents where Luminance has not identified a Change of Control clause. To do so, clear the Filter Bar, and add in new filters: 'Not' + 'Clause' + 'Change of Control'. You will then see all documents that do not have the clause identified by Luminance. You may then wish to add a word search on top of this. For example, 'change in management' or other wording you understand for form part of a Change of Control clause. If you find examples of the clause, open the document to the search term, click on the relevant wording, select the  button to the left of the screen and click the . Here you can type in the clause title 'Change of Control' and Luminance will apply this label to the clauses. Luminance will suggest similar wording that exists within the document set and ask you if you wish those to be tagged as 'Change of Control' also.

## Step 4: Add Notes indicating your analysis

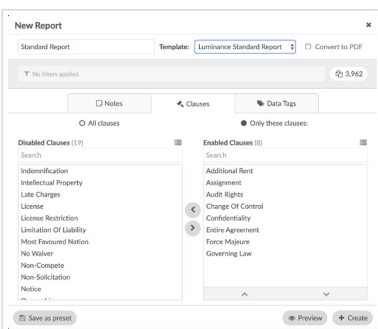


As you review the documents and clauses, add a Note to clauses to flag areas of interest to a colleague or include your analysis into a report later on. You can use Notes to categorise the issues as red, orange or green – these usually represent the severity of the issue. You may wish to create a Note on the Change of Control clauses that are present in the document set, but were not disclosed in the due diligence report.



To do this, from the Insight Details screen, click the  over the Change of Control clause title. This will then allow you to review all Change of Control clauses. Using the 'pencil' button beside the clause, you can write a note beside this clause. If you find a Change of Control that was not disclosed in the due diligence report, create a Note on this. You may wish to give it a Note Category 'Change of Control'.

## Step 5: Generate a report summarising your analysis and recommendations



To generate a report that summarises your analysis and recommendations, filter to the relevant documents and select the information to include in the report. Here, select 'Change of Control' from Insight Visualise. In the bottom right hand corner, select the 'Reports' button. As this opens, under Notes, select the Note Category you had created. Under Clauses, select Change of Control. You can produce your report in Word, PDF or Excel. This report will show you all documents that have a Change of Control clause, and by include the Note Category you will also include all those that you have identified as having the clause, but was not disclosed in the due diligence report.