Marsh

Transactional risk insurance 2024: Year in review

“As M&A activity rebounded in 2024, transactional risk insurance remained a vital tool for mitigating risk and enhancing deal certainty.”

Global M&A snapshot

Global dealmaking saw a modest recovery in 2024, with mergers and acquisitions (M&A) volume reaching US$3.4 trillion, up 8% from 2023's 10-year low (see Figure 1). Despite the challenging M&A environment, the demand for transactional risk insurance solutions increased across the globe, driven by a growing recognition of its unique value in mitigating risks associated with complex transactions. Insureds increasingly sought deal protection through representations and warranties (R&W) and warranty and indemnity (W&I) insurance across various sectors, complemented by a significant increase in the use of tax insurance.

Against this backdrop, Marsh's Transactional Risk Practice achieved its second-best year on record.

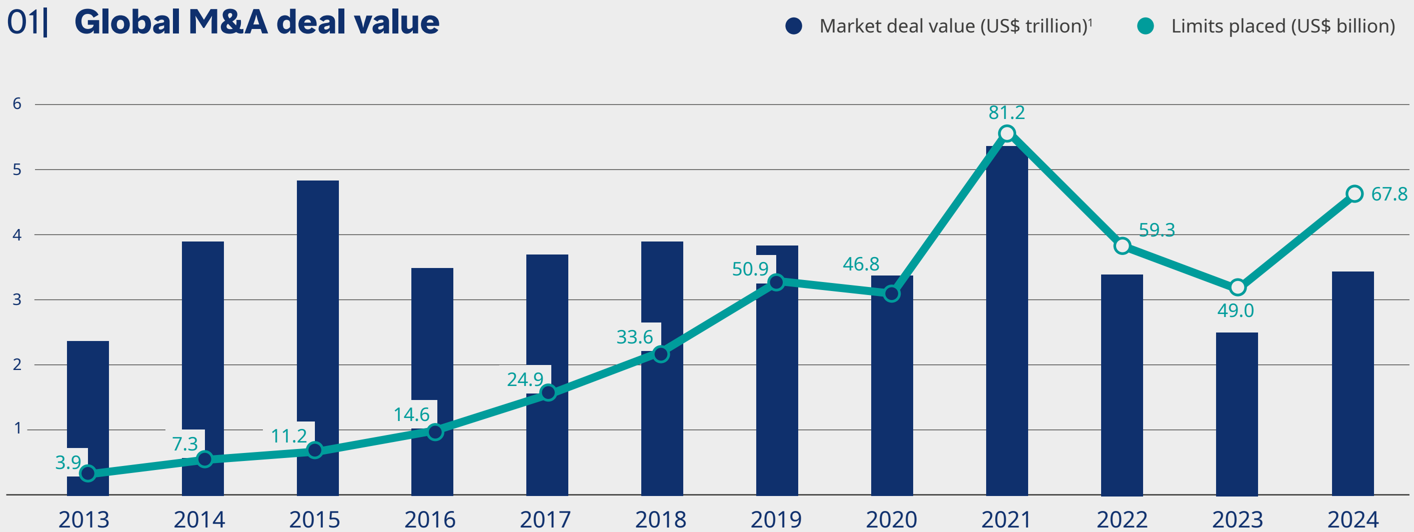
Notably, sectors such as technology, healthcare, and renewable energy experienced heightened activity, reflecting ongoing trends in digital transformation and sustainability initiatives. Dealmakers in these sectors used transactional risk insurance solutions at near-record levels.

Growth was further buoyed by increased usage of transactional risk insurance in emerging markets, particularly in Latin America and Africa, highlighting the expanding capacity of local insurers to facilitate cross-border transactions. Innovative insurance structures — including synthetic warranties and tailored coverage options — gained traction as insurers adapted to the evolving needs of clients navigating complex deals.

Moreover, the rise in both frequency and severity of reported claims underscored the importance of transactional risk insurance as a key protection for buyers, with many insureds becoming more aware of the potential risks involved in M&A transactions. The competitive landscape among insurers further contributed to more favorable terms for clients, generally resulting in lower premiums and enhanced coverage options during 2024. However, these favorable conditions could wane as insurers begin to seek price increases in response to increased claims activity.

*Note: Representations and warranties (R&W) insurance is the term used in the US and Canada; elsewhere the term warranty and indemnity (W&I) insurance is used.

01| Global M&A deal value



[1]Data sourced from IMAA as of announced date for global M&A market
*All values in US$ unless otherwise noted

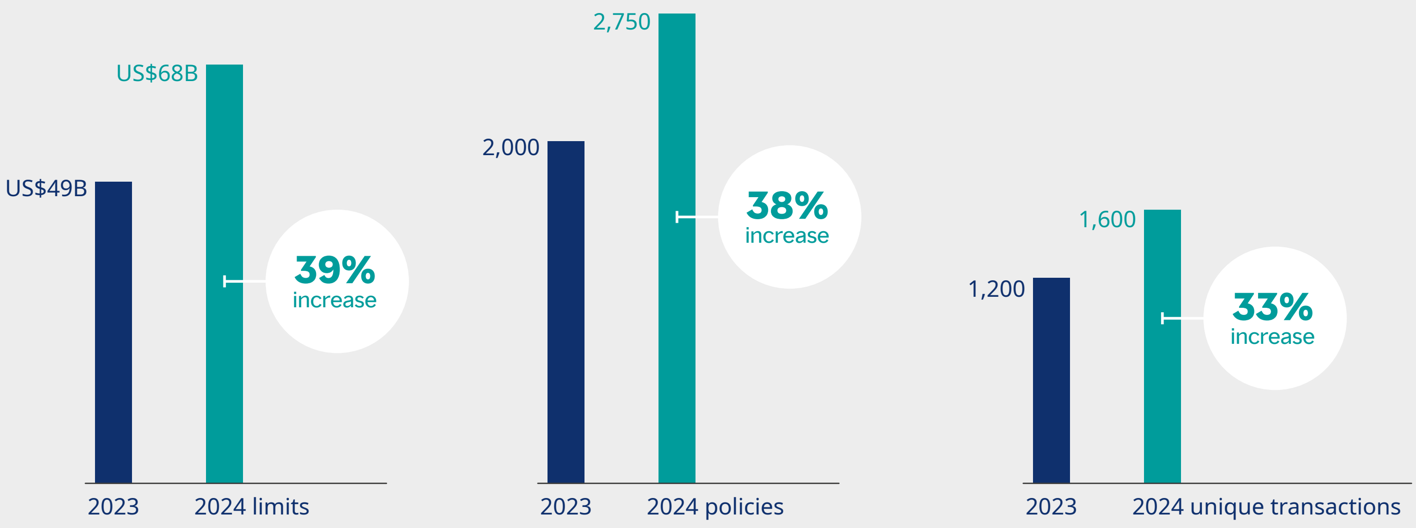
2024 global transactional risk insurance trends

- Marsh achieved its second-best year on record, globally, placing transactional risk insurance limits of US$67.8 billion (up 38% from the prior year) on over 2,750 policies (up 33% from the prior year) across nearly 1,600 unique transactions (up 31% from the prior year), representing an aggregate enterprise value exceeding US$342 billion (see Figure 2).
- The transactional risk insurance market continued to experience conditions that were generally favorable for buyers, with pricing for primary layer R&W and W&I insurance placed by Marsh decreasing across all regions: North America, Latin America, and the United Kingdom down 14%; Europe, down 21%; Asia, down 24%; and the Pacific, down 18%. North America maintained higher pricing levels compared to other regions, consistent with historical patterns.
- Median transaction sizes exhibited mixed trends in 2024. In North America, they increased by 18% to $125 million, while the United Kingdom saw a 40% rise to $107 million. Latin America experienced remarkable growth, with median transaction sizes soaring by 200% to $300 million. Europe had a slight increase of 1.3% to $71 million, whereas the Pacific region reported a decrease, with median transaction sizes falling to $58 million. The average deal size far outpaced median deal size across all regions in 2024, driven by a greater volume of large transactions, with the global average deal size exceeding US$386 million.
- For the second consecutive year, Marsh closed more transactions on behalf of corporate/strategic insureds (55%) than for private equity firms (45%), reflecting a shift in market dynamics as corporate buyers increasingly used transactional risk insurance to facilitate their M&A activities.
- Underwriting capacity remained ample globally, with approximately US$1 billion of limits typically available for single transactions in North America, United Kingdom, and Europe, though insurers began to manage limit deployment more conservatively toward the end of the year, owing to increased claims activity on large insurance towers. The entry of new market participants further bolstered available capacity in Latin America, Asia, and the Pacific, enhancing competition among insurers.
- Transactional risk insurance claims increased significantly in North America rising by 20%, Europe by 45%, and the UK by 70%. Asia's claims activity remained stable compared to the previous year, while the Pacific region experienced a slight decrease in claims notifications.

The use of tax insurance surged among Marsh clients, driven by a deeper understanding of the product and an expanding appetite among tax insurance underwriters. This trend was particularly evident in the renewable energy sector, where demand for tax insurance related to investment tax credits and production tax credits reached new heights.

For a more comprehensive analysis of claims reported against Marsh-placed policies globally, please review our *Global Transactional Risk Insurance Claims Report 2024*.

02| Marsh placed US$68 billion in transactional risk insurance limits in 2024



North America

Despite a 14% global decrease in M&A deals, North America experienced a 5% rise in transaction activity in 2024, reaching US$1.4 trillion and accounting for 45% of worldwide M&A. This marked the strongest full-year period for US dealmaking in three years, according to year-end M&A industry data.

Additionally, private equity-backed M&A rose significantly from 2023 levels. These factors increased the demand for transactional risk insurance in North America, further cementing its critical role for stakeholders in the region's dealmaking environment.

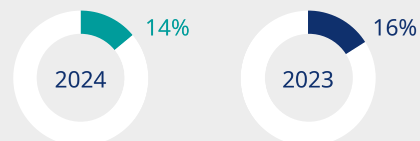
Key takeaways

- Favorable pricing and terms continued in the R&W insurance sector, with robust underwriting competition counteracting rising demand.
- Demand for tax insurance surged, particularly in the renewable energy sector, indicating a significant opportunity for growth in this area.
- Insurers demonstrated an increased appetite for real estate transactions, offering more favorable terms and pricing, which led to growth in R&W insurance purchasing in this sector.
- The outlook for transactional risk insurance in North America remains positive, with expectations of increased activity, although geopolitical uncertainties may pose challenges.

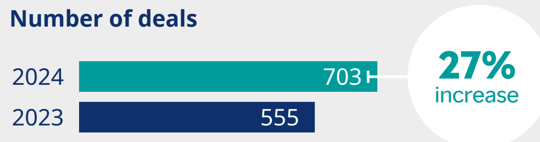
North America snapshot

North America limits placed by Marsh (US$B)

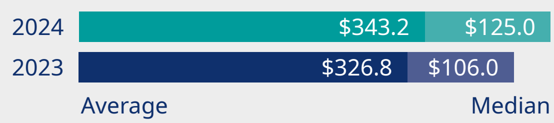
Limits placed as a percentage of enterprise value



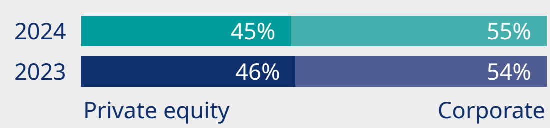
Number of deals



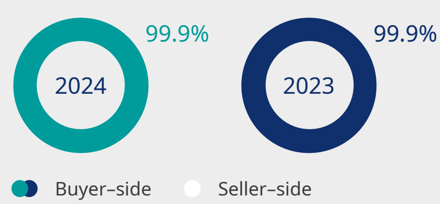
Enterprise value (US$M)



Private equity vs. corporate



Buyer-side/seller-side policies (as a % of total policies)



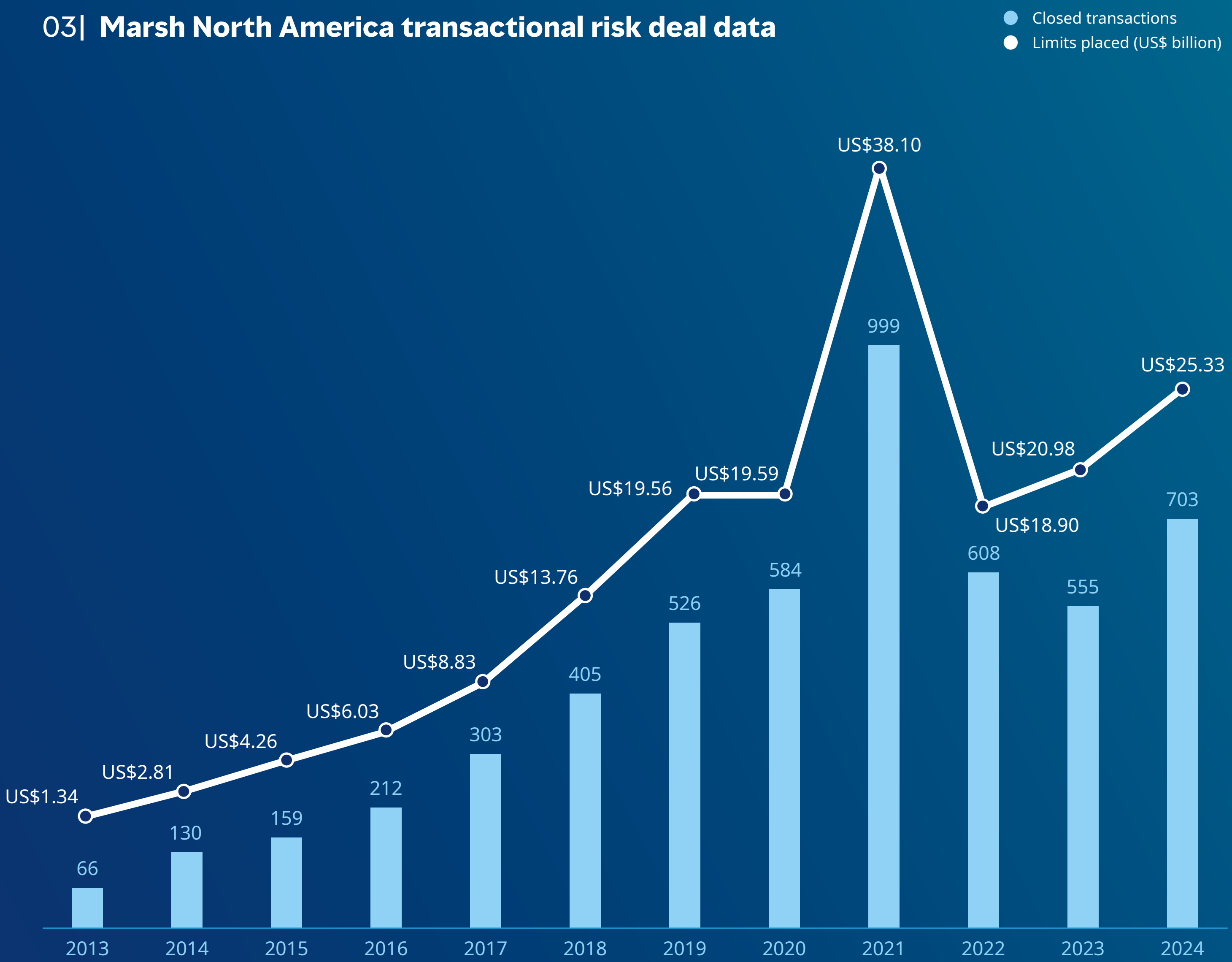
Steady increase in policy placements

In this incrementally more favorable M&A environment, Marsh's North America team placed 1,394 transactional risk policies — primary and excess — across 703 unique transactions. This marks a 33.2% increase in policies placed and a 26.7% rise in closed transactions compared to 2023.

Policies placed in 2024 represent US$25.3 billion in limits of liability for transactions with an aggregate enterprise value exceeding US$179 billion, second only to 2021 (see Figure 3). Deal activity increased steadily throughout the year, culminating in a robust fourth quarter, where the team placed over 500 policies on more than 200 unique transactions.

Marsh views itself as the leading transactional risk insurance broker in North America.

03| Marsh North America transactional risk deal data



Notable 2024 regional trends

Insured-favorable conditions persisted in the R&W insurance sector

In 2024, "soft market" conditions first observed in late 2022 continued, with a degree of rate stabilization in the second half of the year, resulting in favorable outcomes for R&W insurance buyers. While increased M&A activity in the region resulted in more insured transactions, the supply of R&W insurance remained robust — with close to 30 underwriting firms active in North America — and resulted in moderating prices.

Impact on pricing

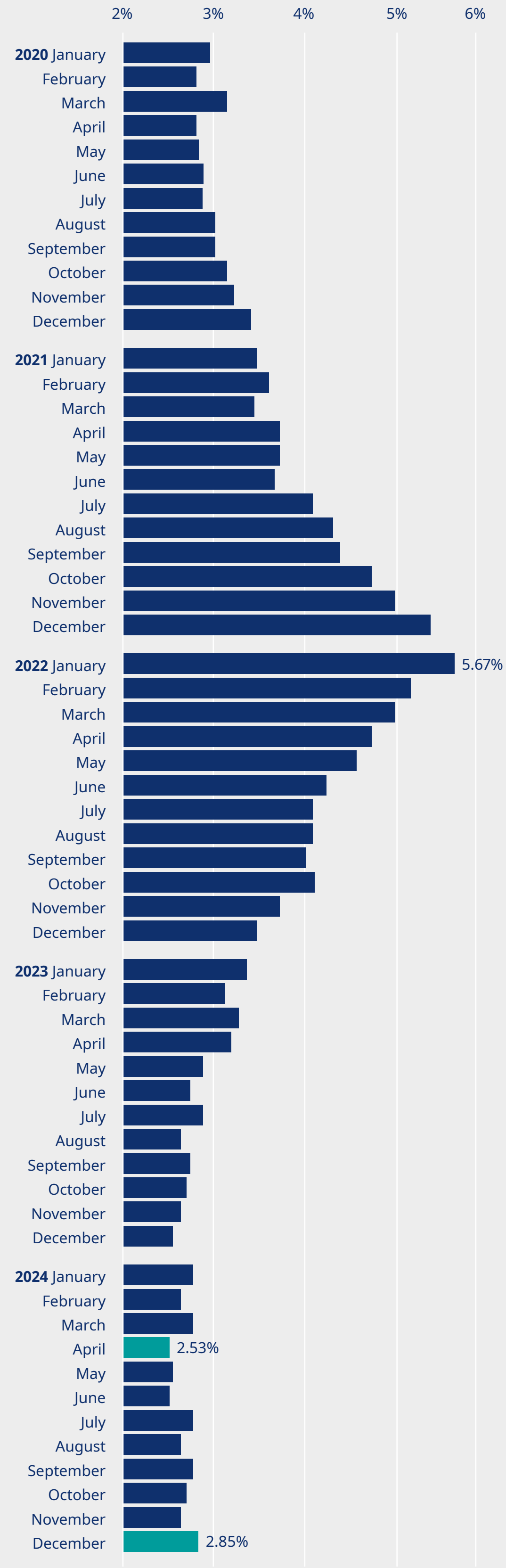
R&W insurance rates continued to decline in 2024, bottoming out in the second quarter. During the latter half of the year, some modest rate increases emerged due to a rise in demand that resulted from more favorable dealmaking conditions and concerns about the profitability of R&W insurance portfolios, which are under significant stress as a result of increased claim frequency and severity, as discussed later. By December, primary layer R&W insurance rates reached approximately 2.9% (of the policy limit of liability), up from approximately 2.5% in April, when North America R&W pricing reached the lowest point of 2024 (see Figure 4).

The anticipated increase in North America M&A activity and a corresponding increase in demand for R&W insurance in 2025 is not expected to change the current insured-friendly rate environment in the short-to-medium term. Although some insurers have signaled plans to continue to seek rate increases in 2025, robust competition in the North American R&W insurance underwriting landscape should hold down the level of increases. In the longer term, primary R&W rate movement will depend on R&W claim frequency and severity. If frequency and severity increase vigorously, so may rates.

Impact on retentions

The trend of reduced retentions on R&W insurance policies, ushered in by conditions that began in late 2022, continued in 2024. The historical norm of 1% of enterprise value as the minimum for initial retentions on R&W policies, with a dropdown feature to 0.5%, no longer holds. In 2024, average initial retentions fell below 0.6% of enterprise value for transactions in excess of US$50 million, with transactions in excess of US$1 billion featuring initial retentions slightly below 0.5% of enterprise value.

04| Marsh North America primary layer R&W insurance pricing



Transactions below US$50 million in deal size had initial retention levels averaging approximately 0.7% of enterprise value, well below historical averages, although there was meaningful variance on a deal-by-deal basis due to different insurer minimums (see Figure 5).

Most underwriting firms initially viewed lower retentions as a way to differentiate their offering, alongside pricing, on a given transaction, leading to lower retentions that insureds often now expect. Many insurers are willing to provide nil retention structures for certain fundamental representations and warranties, allowing coverage to begin from the first dollar of loss in the event of a covered breach. Given continued strong underwriting competition and firmly established buyer expectations, the lower retention environment is likely to continue in the short- to medium-term. However, the emergence of adverse claims could result in retentions trending toward historical norms over time.

Impact on terms and conditions

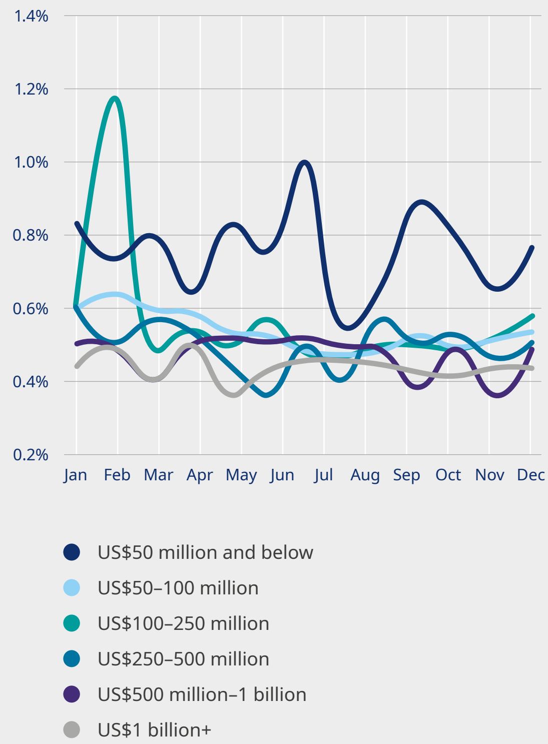
R&W insurance policy terms and conditions remained insured-friendly throughout 2024. Since late 2022, it has been common for insurers to offer "clean" quotes with few comments on covered representations and warranties and a limited number of exclusions. This trend continued throughout 2024, resulting in generally more affordable R&W insurance policies with improved coverage. Given the available capacity, increased demand for R&W insurance is not expected to significantly alter current dynamics, with the favorable coverage environment persisting in the short to medium term. However, adverse claims development could lead to greater restrictions on coverage over the longer term.

Return of large deals and consistent use of insurance across sectors fueled growth in 2024

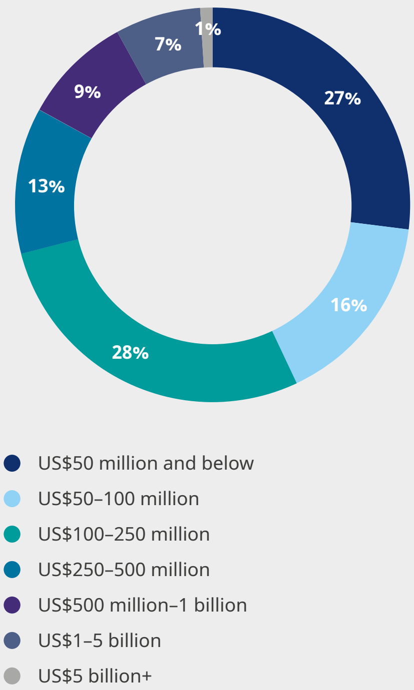
Of the 700-plus transactions placed by Marsh's North America team in 2024, the median transaction size was $125 million, an 18% increase from 2023; average transaction size was $343 million, a 5% increase from the prior year. This growth was primarily driven by the return of transactions with an enterprise value of over US$1 billion; our team placed insurance on more than 50 such transactions, representing over 7% of our closed transactions. In addition, transactions between US$500 million and US$1 billion represented almost 9% of our closed transactions, marking a nearly 50% increase from the prior year. The rise in large transactions aligned with regional M&A trends and accelerated during the course of 2024, with the team closing more large transactions in the fourth quarter than in any prior quarter. We anticipate further increases in transaction sizes for insured deals in 2025, supported by the expectations of a more deal-friendly regulatory posture in the US and a stable, or potentially decreasing, interest rate environment.

Transactional risk insurance continued being used across all transaction sizes, with transactions below $100 million in enterprise value representing 43% of our closed transactions in 2024 (see Figure 6).

05| Average North America R&W insurance policy retention by enterprise value



06| 2024 North America deal distribution by enterprise value tranche

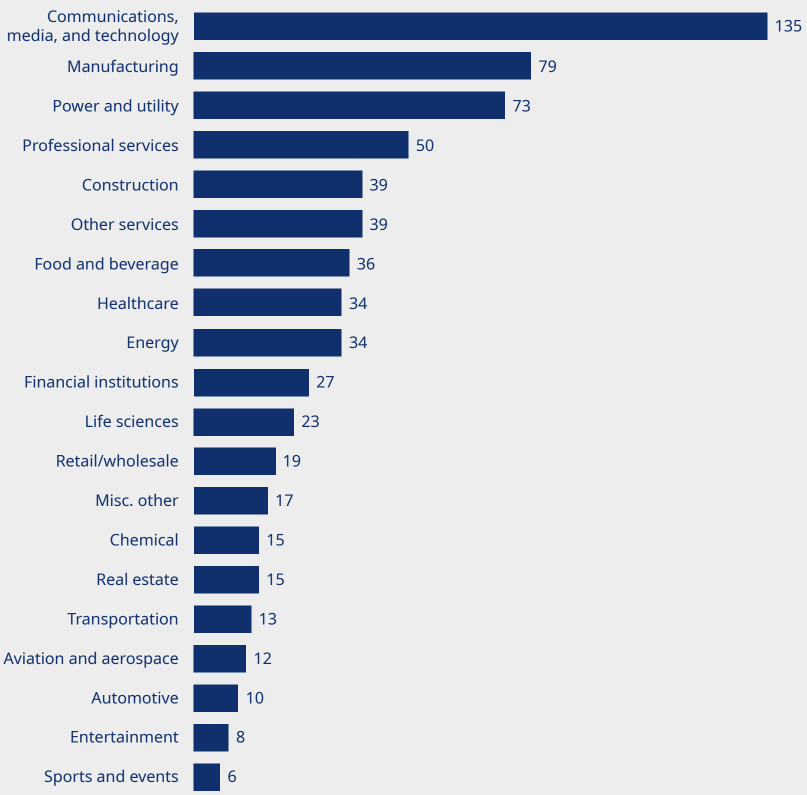


The trend of corporate and strategic buyers increasing their use of transactional risk insurance continued in 2024, with these buyers representing approximately 55% of all policies placed by Marsh in the region. Private equity firms accounted for the remaining 45%. We expect private equity firms' use of transactional risk insurance policies to increase in 2025 given the historic levels of "dry powder" in their funds and anticipated favorable deal-making conditions.

Transactional risk insurance continues to be used by deal participants across all industries. According to industry data, dealmaking in the technology sector — the largest sector by deal volume — accounted for close to 25% of overall deal value in the region. It follows that, among Marsh placements, communications, media, and technology (CMT) companies were involved more than any other industry class, accounting for almost 20% of all deals placed in the US and Canada in 2024 (see Figure 7).

In 2024, we saw a large increase in insured transactions in the energy and power sector, more than doubling from the prior year, with our team completing placements for more than 100 deals. This surge can be primarily attributed to robust regional deal-making, supporting both traditional energy businesses and green energy transition efforts.

07| CMT companies led all industries in transactional risk insurance in 2024



Insured purchasing patterns for deals of all sizes remain consistent

Median policy limits as a percentage of enterprise value remained steady at 10% across Marsh's portfolio in 2024, consistent with 2023 and 2022. The average limits purchased (expressed as a percentage of enterprise value) decreased to 14%, from 16% in 2023, due to a significant rise in the number of large transactions being insured, which typically see lower limits relative to deal value compared to smaller transactions.

The divergence in limits purchased based on transaction size, a trend that started in 2021, remained pronounced in 2024 (see Figure 8). Insurance purchasing patterns across all enterprise value tranches remained consistent with 2023. Claim development in the short to medium term may influence insureds' purchasing decisions as additional data will inform limit choices.

Transactional risk insurance capacity is plentiful — but is being tested

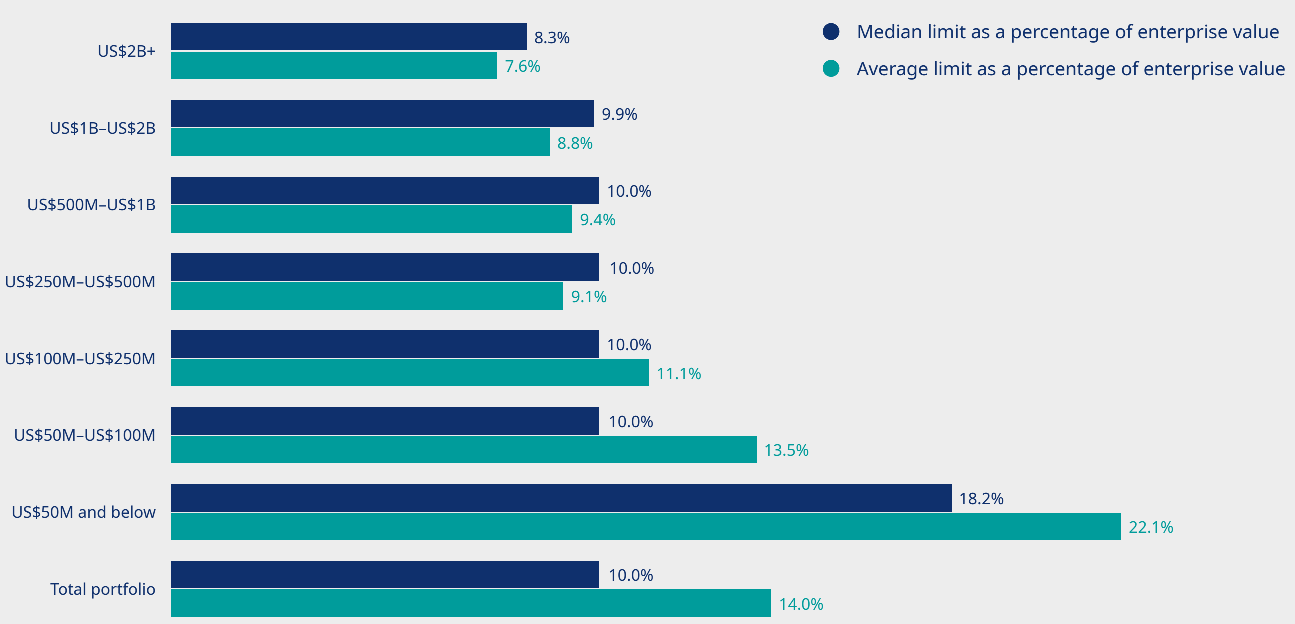
As M&A activity picked up in the region, client demand for transactional risk insurance on completed deals remained robust. Our team placed limits in excess of US$25 billion, a more than 20% increase from 2023. This included a US$1 billion limit tower on an individual R&W insurance transaction and another tower of just under US$1 billion in limits on a tax insurance transaction, along with multiple towers exceeding US$500 million, as clients sought to mitigate risks associated with very large transactions.

Increased demand was complemented by a rise in supply, with a new transactional risk underwriting team entering the North American marketplace with no corresponding exits. Close to 30 underwriting organizations and insurers are presently offering terms on a primary basis for R&W insurance, and close to 20 such parties are presently offering terms on a primary basis for tax insurance. Total available capacity for any single transaction can exceed US$1 billion, depending on certain factors.

However, large losses in the contingent liability insurance space in 2024 have led to reinsurers scrutinizing their treaties, which often cover R&W, tax, and contingent liability risks. This scrutiny has resulted in a significant contraction in available capacity for contingent liability insurance, with some reinsurers unwilling to cover these risks. Consequently, insurer appetite to underwrite contingent liability risks, including litigation-related insurance, has diminished.

Reinsurance scrutiny has also revealed significant — and sometimes unanticipated — aggregation across reinsurance portfolios, particularly for large tower placements, which have experienced significantly increased claims frequency and severity. As a result, starting in the second half of 2024, some insurers on large towers sought to restrict available limits on a single risk to levels well below prior periods. When excess capacity is available on large towers, it tends to be more expensive than in prior years. This trend is expected to continue in 2025 and beyond as insurers seek to limit their exposure on any single risk and adjust pricing in response to adverse claims experience on previously underwritten transactions. This significant trend bears careful consideration by all industry stakeholders.

08| Limits purchased as percentage of enterprise value



Rise in transactional risk insurance in real estate transactions

As transactional risk underwriting capacity continued to outpace demand for such insurance on traditional “buy-out” transactions in 2024, there was an increase in risk appetite and creativity by insurers for real estate transactions. Insurers have tended to view these deals as a way to diversify and increase their premium base. Historically, R&W insurance for real estate transactions was priced similarly to typical M&A transactions for operational (non-real estate) businesses, making it less attractive to potential insureds because real estate transactions tend to be viewed as carrying less risk for insurers than operating companies.

However, throughout 2024, insurers began more aggressively pricing real estate R&W policies as compared to those for operating companies, with considerably lower retentions, typically ranging between 0.1% and 0.25% of enterprise value and often with nil retention for fundamental representations. These trends in real estate R&W policies have led sellers to increasingly encourage potential buyers to procure such coverage instead of an indemnity escrow.

Our team has observed R&W insurance being used most frequently on real estate deals involving the acquisition of a holding company or when the real estate assets are held by a real estate investment trust (REIT). Buyers have expressed concerns about potential entity-level liabilities being assumed in such transactions and the significant, negative tax implications associated with a REIT losing its status as such — concerns that are addressed by R&W insurance. As such, we expect the use of R&W insurance in real estate deals to grow in 2025 and beyond as the broader real estate M&A community continues to learn of this coverage’s potential benefits.

No seller indemnity structure persists

For the third consecutive year, our team observed that a majority of insured transactions in the region were structured without any seller indemnity, meaning that the seller did not take on contractual liability to the buyer for breaches of representations and warranties, except in cases of fraud. This “public-style” deal structure — which was not commonly seen in private company transactions and was more typical in large deals, generally US$1 billion or more — has become far more prevalent in recent years on smaller transactions, some valued under US$50 million. In 2024, approximately 59% of the deals in Marsh’s North America transactional risk portfolio had no seller indemnity, up slightly from 56% in 2023 and significantly higher than the below 25% recorded in 2015. We expect this trend to continue in 2025 and beyond.

Tax insurance

Total tax insurance policies bound by Marsh’s North America team increased significantly in 2024, fueled primarily by growth in renewable energy placements and policies aimed at addressing balance sheet tax risks. We placed 298 policies on 96 unique transactions, representing increases of 248% and 92%, respectively, from 2023. Correspondingly, total tax insurance limits placed by the Marsh team in the region grew markedly to $5.7 billion, a 160% increase over 2023. Additionally, in 2024 Marsh’s North America tax insurance brokers sent 50% more tax submissions into the marketplace than in 2023.

Demand for tax insurance in the renewable energy sector was at an all-time high in 2024, driven by insureds seeking coverage for investment tax credit projects, predominantly in solar energy and various forms of production tax credits. The Inflation Reduction Act of 2022 (IRA) created or enhanced several renewable energy credits and authorized the transfer of these credits to unrelated parties. Our team expects that the IRA will continue to drive demand for tax insurance for renewable energy projects across different asset classes.

While the use of tax insurance in M&A deals remained flat year over year, corporates and pass-through businesses increasingly used these policies to manage balance sheet tax risks. Asset managers and family offices emerged as interested potential purchasers of tax insurance, alongside traditional corporate taxpayers.

A number of new, tax-dedicated underwriting organizations entered the market, and numerous additional transactional risk players participated on large tax insurance programs, resulting in robust competition, which, in turn, moderated premium rate increases and led to insurer flexibility regarding policy terms.

Overall, premium rates for 2024 tax insurance policies increased slightly from 2023, with an average primary rate on line of approximately 3% by year-end. This change was partly due to increased claim activity and more policies placed on transactions with existing controversies, a comparatively riskier type of policy underwritten in greater numbers due to current market capacity and conditions.

Claims

In 2024, Marsh clients in North America reported 309 transactional risk claims arising from 167 separate transactions, marking a 21% increase in new claims compared to 2023. Despite a slowdown in M&A activity in 2022 and 2023, claim volume has consistently increased each year since 2021.

The types of breaches reported in 2024 largely aligned with prior years. However, claims related to financial statement breaches rose significantly, accounting for 32% of total claims (see Figure 9). There was a notable increase in the percentage of first-party loss claims compared to third-party ones. Historically, financial statement breaches and first-party claims have resulted in claims of larger amounts, suggesting claim payments may also rise.

In 2024, R&W insurers recognized US$346 million in covered losses, resulting in almost US$306 million paid (after deducting retentions) to Marsh clients (see Figure 10). Most payments — 66% of the total — resulted from claims asserting breaches of financial statements or compliance with laws representations. First-party losses accounted for 65% of the total payments, with most losses determined calculated on a multiple of earnings before interest, taxes, depreciation, and amortization (EBITDA).

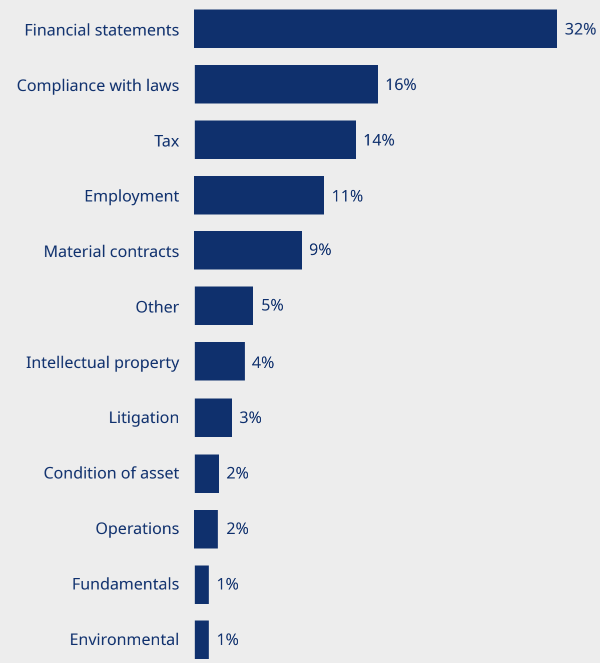
North America outlook for 2025

Based on a significant increase in closed transactions during 2024 and a further increase in transactional risk insurance submission flow in the fourth quarter, we anticipate a meaningful increase in transactional risk insurance activity in the year ahead.

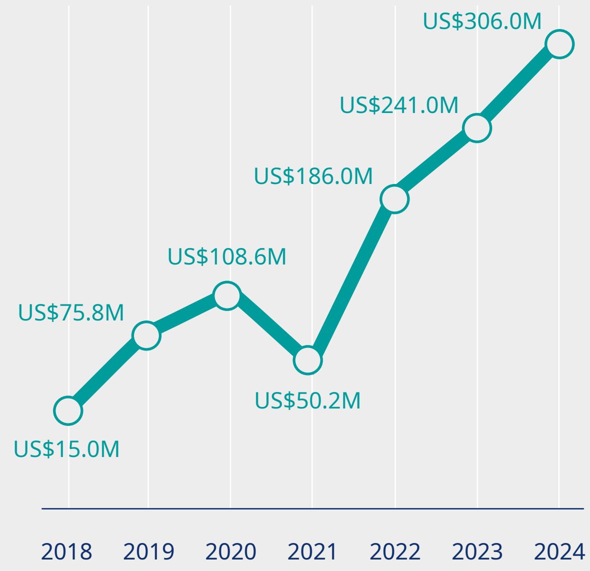
Dealmakers anticipate an improving M&A market in 2025 in the region, driven by expectations for a period of reduced regulatory scrutiny, including on M&A transactions. In addition, a steadier interest rate environment is expected to facilitate dealmaking by private equity firms that have more undeployed capital than ever before. However, global geopolitical uncertainties could dampen both global and regional M&A activity, as has occurred in recent years.

Irrespective of M&A market conditions, transactional risk insurance will remain a key component of deals in North America, with insurers ready and able to meet client demand.

09| 2024 R&W claims in North America by breach type



10| Claim payments in North America to Marsh insureds



Latin America and the Caribbean

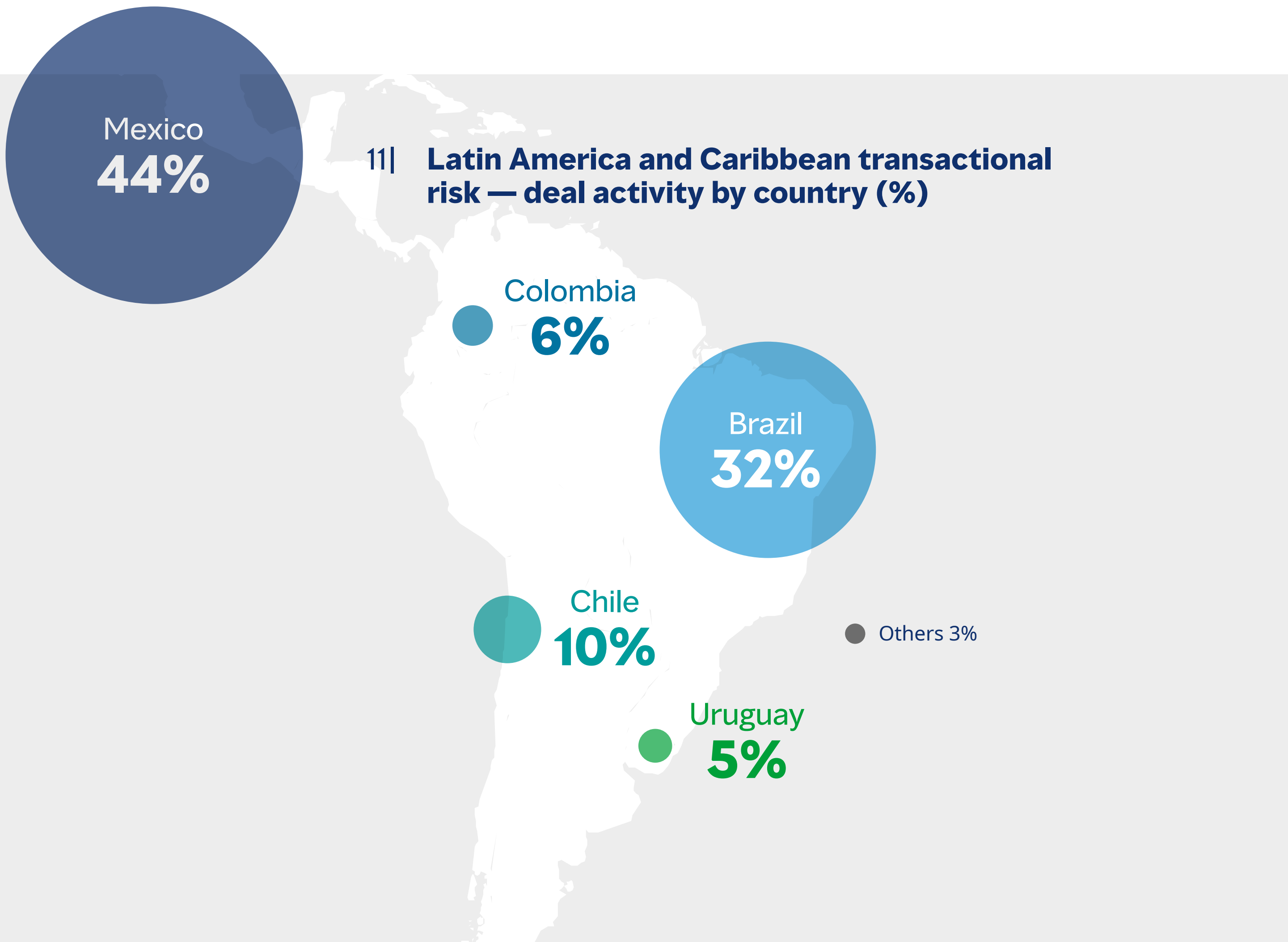
The challenging global macroeconomic and geopolitical environment that impacted overall M&A activity in 2022 continued through 2023 and in 2024. M&A activity in the Latin America and the Caribbean region (LAC) has not yet fully recovered, remaining below pre-2021 levels.

This generalized depression in deal volume was further impacted by 2024's presidential elections in El Salvador, Panama, the Dominican Republic, Mexico, Venezuela, and Uruguay as well as the US. Uncertainty related to the election results, changes in governing powers, and aggressive legislative changes have contributed to a significant number of companies deciding to hold back investment in the LAC region.

Notwithstanding the above, insurers have continued to look to expand their books of business for transactional risk solutions outside of their usual jurisdictions. In 2024, the region continued to emerge as a market filled with business opportunities, which led to an increased number of insurance companies expanding their capacity and capabilities in the region (see Figure 11).

As the region's M&A activity evolves, sophisticated corporates and private equity firms are increasingly utilizing insurance solutions to enhance transaction certainty. This trend significantly boosted the number of policies placed in 2024.

11| Latin America and Caribbean transactional risk — deal activity by country (%)



Key takeaways

- Appetite for transactional risk insurance is increasing in the region, with more insurers expanding their capacity and capabilities, thereby enhancing competition and broadening coverage options.
- Navigating the complex legal and regulatory landscape remains a challenge for many clients seeking local policies. An increase in local capacity and insurer willingness to innovate is facilitating the underwriting of local agreements.
- The appetite for tax insurance is expanding, with more insurers willing to underwrite tax risks in the region, indicating a growing recognition of the importance of protecting against potential tax liabilities in M&A transactions.
- Demand for transactional risk insurance solutions is expected to rise in 2025, driven by increased competition and familiarity with these products among dealmakers, while the tax insurance market is also poised for growth as understanding of its benefits expands.

Notable 2024 regional trends

Appetite for transactional risk insurance in the LAC region is rapidly increasing

The number of active global insurers in the region doubled in both 2023 and 2024, with other insurers also expanding capacity, leading to increased competition. This has led to broader insurable deal parameters, expanded coverage, fewer exclusions, lower rates, and the introduction of innovative market structures. The volume of inquiries increased significantly in 2024, resulting in a 800% rise in R&W policies placed by Marsh on Latin American M&A transactions between 2023 to 2024 (see Figure 12).

Jurisdictional and regulatory considerations

Our transactional risk team has successfully placed and obtained quotes for targets across the region, including Argentina, Brazil, Costa Rica, Guatemala, Chile, Colombia, Mexico, Peru, Puerto Rico, and Uruguay. We frequently assisted clients in developing comprehensive insurance programs through risk syndication, accessing multiple insurers to achieve required limits.

12| Increased insurer appetite in transactional risk insurance

800%

growth in LAC R&W policies placed by Marsh in 2024

Key considerations and timings

Transactions with certain characteristics are expected to attract greater insurer appetite, along with broad coverage and competitive pricing. These include:

- Experienced or well-regarded ultimate selling and purchasing parties
- A lower-risk sector that is not subject to heavy regulation
- Reputable and sophisticated legal counsel and advisors
- An acquisition agreement in English, governed by UK, US, or Western European law. (Note that a Latin American law or language agreement may have broader restrictions or incur higher underwriting fees.)
- A thorough due diligence process accompanied by detailed reporting
- Arm's length negotiations of the representations and warranties

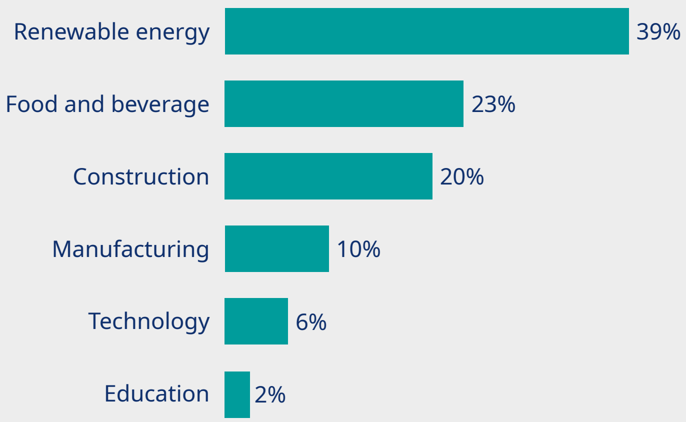
The region's legal and regulatory regimes continue to present unique challenges for clients seeking to secure local policies. Our team has helped clients and insurers seek to better understand and navigate these complexities. In 2024, we observed increased local capacity in Chile, Brazil, Mexico, and Colombia, with insurers demonstrating a willingness to innovate and underwrite local law purchase agreements and local named insureds in the region.

Sector trends

Our team has advised on Latin American M&A deals with enterprise values ranging from US$1.5 million to over US$2 billion, successfully securing limits of over US$600 million for individual transactions. The LAC team has facilitated placements in multiple sectors, including IT services, real estate development, logistics, manufacturing, retail, mining, chemicals, cleaning products, education, hospitality, and pharmaceuticals (see Figure 13).

In 2024, our team successfully secured coverage for anti-money laundering, anti-bribery, and corruption representations on several transactions in the region. We also placed the first reported R&W insurance policy for a transaction involving the acquisition of a publicly traded company in Mexico. This milestone represents the clear evolution and availability of transactional risk products in the region.

13| Latin America and Caribbean transational risk deal activity by industry



Pricing improvements

Transactional risk policy premiums for LAC transactions are now comparable to those in North America and Western Europe. In 2024, there were significant rate improvements, mainly due to an increase in policy placements and the entry of more carriers, enhancing capacity and familiarity with associated risks.

Typical policy retentions range from 0.5% and 0.75% of enterprise value, with reduced retentions generally available and nil retention options also offered on case-by-case basis. The typical rate on line (premium as a percentage of the limit) ranges from 2% to 3.5%, in line with global markets.

Process evolution

Insureds in the LAC region benefited from carriers' efforts to streamline their processes, reduce response times, and enhance accessibility for clients by employing underwriters fluent in Spanish and Portuguese, enabling them to review transaction-related documents in their original language. Underwriters with more regional experience have prioritized strengthening relationships with local counsel and addressing specific underwriting concerns, rather than probing deeply into all potential areas of risk. They have also foregone underwriting calls for deals with comprehensive written responses and clear follow-up responses to questions. Additionally, underwriters are increasingly open to tailoring the process to accommodate client preferences, with either fully verbal or fully written responses.

Tax insurance

Insurer appetite continued to expand in 2023 both in relation to the type of tax risks to insure and the geographical regions covered, with new insurers underwriting tax risk in the region. Insurer appetite stabilized in 2024, with more insurers gaining the ability to issue local policies. Inquiries related to tax risks increased as corporates and private equity portfolios sought to protect their balance sheets from utilized and carried-forward losses.

Marsh saw significant interest in the use of contingent tax insurance for identified potential contingencies in M&A processes, particularly regarding capitalization, value-added tax calculations, import taxes subject to interpretation, and financial restructuring derived from a transaction.

Our team has successfully obtained quotes for tax risks in Mexico, Brazil, Argentina, Chile, Peru, and Colombia and placed policies in Mexico.

In 2025, the tax insurance market is likely to grow further as law firms gain familiarity with the product and continue seeking alternatives to mitigate clients' exposure to material tax risks identified in both M&A deals and tax exposures in non-M&A transactions, such as corporate restructures. Tax advisors are recognizing that the optimal time to seek tax insurance is when the taxpayer has a strong position, even if some doubt exists, and before an inquiry from local tax authorities.

LAC outlook for 2025

Demand for transactional risk insurance solutions in the region is expected to continue increasing in 2025 as more insurers enter the region, enhancing competition and conditions. The presence of underwriters fluent in Spanish and Portuguese, together with an increased willingness to accept local elements, such as governing law and named insureds, is expected to enhance the appeal of expert advice from local underwriting counsel.

Premium rates have consistently dropped since 2021 and are expected to continue decreasing, narrowing the gap between LAC pricing and retention conditions and those available for North American or European transactions. Market capacity for transactional insurance in the region is expected to increase, with new entrants further increasing competition, which should help to maintain stable pricing and retention levels.

As transactional risk products gain traction in LAC, more dealmakers will become familiar with their mechanics and benefits, making them essential to facilitate transactions with enterprise values above US$50 million. Further, new market entrants focusing on insuring the transactions of small- and medium-sized enterprises with values below US$50 million will drive growth in a historically underserved segment.

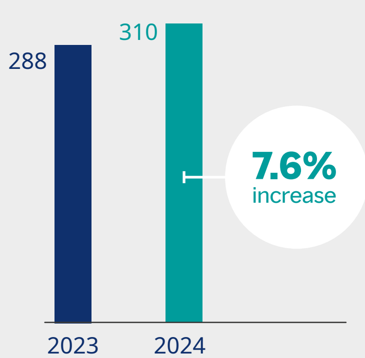
The use of tax insurance to mitigate tax risks arising from M&A transactions is expected to expand in 2025, driven by broader understanding of this product and increased insurer appetite to underwrite tax risks in the region.

United Kingdom

The UK M&A landscape saw larger transaction value but fewer deals in 2024 compared to the prior year. Aggregate deal value exceeded twice that of 2023, primarily driven by a small number of large deals. Overall deal activity reportedly declined by 8% compared to 2023, indicating that the anticipated rebound in M&A activity at the beginning of 2024 did not fully materialize over the course the year.

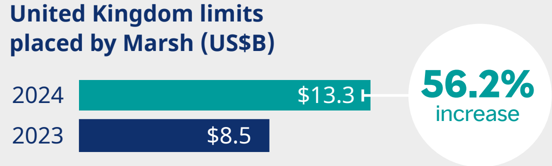
Despite falling deal volumes, demand for UK transactional risk insurance grew in 2024 and use of the product continued to increase (see Figure 14). Marsh's UK team successfully placed 310 transactional risk policies on 201 transactions in 2024, a 4% increase over 2023, outperforming underlying market dynamics. These policies represented US$13.5 billion in limits of liability placed for Marsh clients, a 56% increase over 2023.

14| Policy count, 2023 vs. 2024

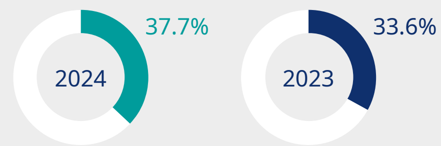


United Kingdom snapshot

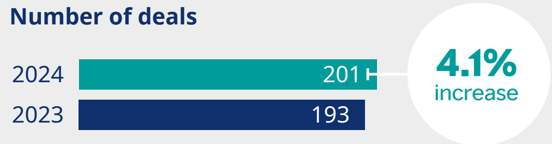
United Kingdom limits placed by Marsh (US$B)



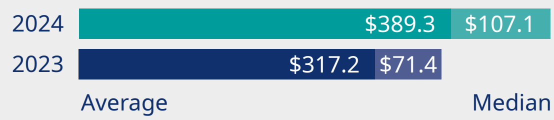
Limits placed as a percentage of enterprise value



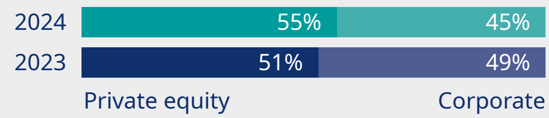
Number of deals



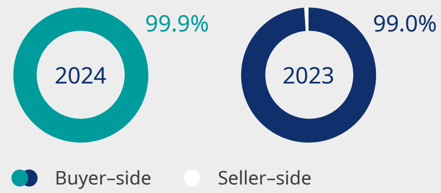
Enterprise value (US$M)



Private equity vs. corporate



Buyer-side/seller-side policies (as a % of total policies)



Key takeaways

- While average premium rates for transactional risk insurance continued to decrease, a temporary spike in costs during periods of heightened deal activity highlights the dynamic nature of the insurance market.
- Increased insurer competition led to more favorable policy terms, including fewer exclusions.
- Demand for tax insurance has surged, driven by a recognition of its effectiveness in mitigating tax risks, with insurers expanding their appetite to include forward-looking tax risks, indicating a maturation of the tax insurance market.
- The outlook for 2025 includes increased M&A activity and continued demand for transactional risk insurance, with premium costs likely to remain stable or decreasing in the short term, supported by new market entrants and favorable conditions for buyers.

Notable 2024 regional trends

Capacity levels impact pricing

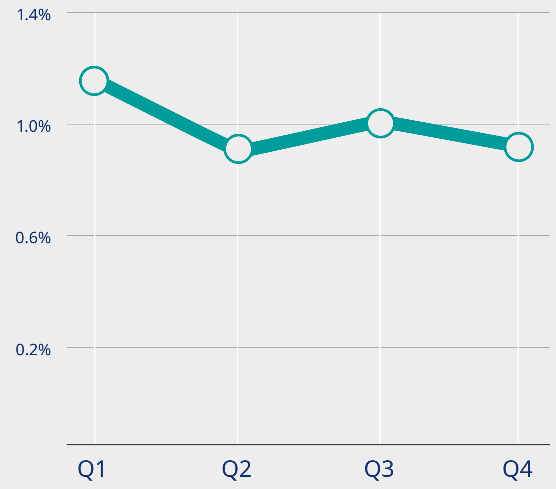
Average W&I premium rates across EMEA dropped by 32% in 2023, driven by increased competition among insurers for fewer transactions and by new risk capital continuing to enter the market. These conditions continued and intensified in 2024, mirroring the deal-making environment and magnified by a further influx of new insurers launching transactional risk insurance offerings in the London market. Average premium costs continued to decline from 2023's historical lows. Primary layer W&I pricing decreased by a further 14% and blended premium cost across syndicated placements dropped by 10%, resulting in an average rate on line of 1.1% in 2024.

However, we observed a short-term increase in premium costs during the third quarter, coinciding with heightened deal activity that may have been influenced by the change in government and the UK's autumn Budget. This spike in premium costs peaked in October amid a surge in deal activity before stabilizing in the last two months (see Figure 15).

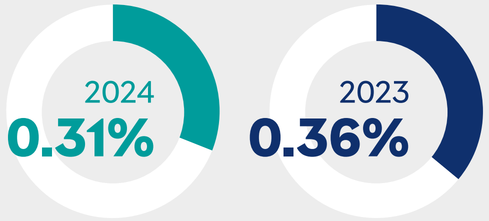
Retention

Similarly, average retentions dropped from 0.36% of enterprise value in 2023 to 0.31% in 2024 (see Figure 16) and policy de minimis levels remained consistently and significantly below the historical norm of 0.05% of enterprise value. Insurers continued to compete across the suite of economic metrics of transactional risk policies in addition to price.

15| **Average rate on line each quarter (W&I only)**



16| **Average retention dropped in 2024**



Coverage

Consistent with the increased competition for deals, insurers often offered quotes with no transaction-specific exclusions, limited warranty commentary, and fewer or diluted standard exclusion requirements, compared to prior periods. Exclusions that were previously common — including condition of assets, secondary taxes, transfer pricing, and pollution/environmental — were no longer always mandated in quotes or treated as negotiable by insurers.

Buyer profile and trends

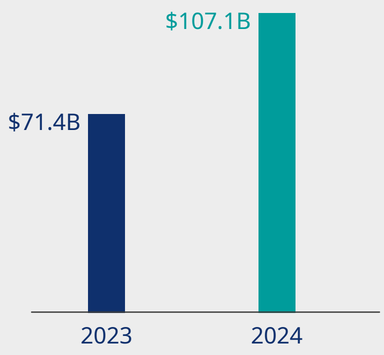
The private capital community has historically been the most active participant in the UK transactional risk insurance market. This trend shifted in 2023, with strategic buyers comprising roughly an equal number of insureds under policies placed by Marsh in the UK. As the cost of debt stabilized, private capital returned as the principal buyer of transactional risk insurance policies, with a 36% increase in the value of deals involving financial sponsors across Europe compared to the prior year.

In 2024, Marsh UK's average and median deal value increased by 23% and 50% respectively, consistent with the significant increase in deal value experienced across the overall UK M&A marketplace (see Figure 17).

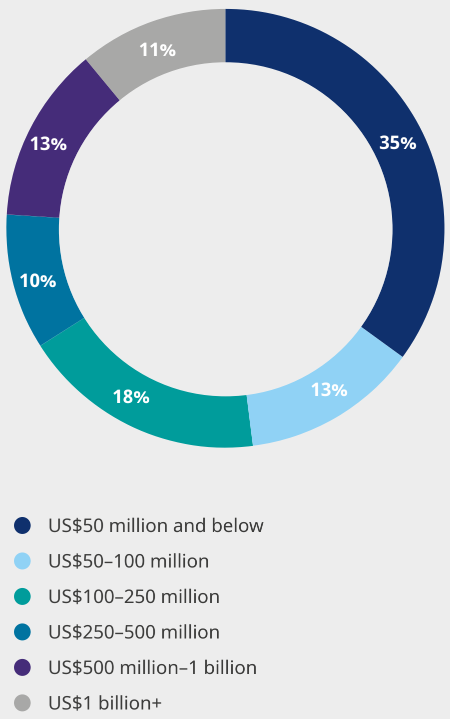
The return of private equity also revitalized the mid- to upper-market deal sector, with transactions valued between US$250 million and US$1 billion accounting for nearly a quarter of Marsh UK's portfolio in 2024, up from 13% in 2023. We also observed higher volumes of large-cap deals (valued over US$1 billion), which represent approximately 11% of Marsh's UK deal portfolio, largely mirroring broader market dynamics (see Figure 18).

In 2023, a reduction in sell-side bargaining power to a more balanced position between deal principals resulted in reduced competitive tension and fewer 'hot' auction processes. This trend, linked to the resurgence of private equity, diminished in 2024. Marsh's UK team advised on more private equity-backed exits compared to the previous year and placed W&I

17| Median enterprise value, 2023 vs. 2024



18| UK deal portfolio by enterprise value tranche (US$)



policies on 22% more auction exits than in 2023. The technology sector reportedly experienced US$640 billion in global deal activity, a 16% increase from 2023. This surge was reflected in the number of deals backed by insurance, with technology companies engaging in more transactional risk placements in the UK than any other sector. M&A activity in the financial services sector reached its highest volume in more than a decade, with a reported 26% year-on-year increase in the number of deals announced or completed.

Historically viewed with caution by the transactional risk insurance market due to its regulated nature, insurer appetite for the financial services sector expanded in 2024, elevating it to our fifth largest industry sector by policies placed, up from fifteenth in 2023. Transactional risk insurance continues to be used across all industries and sectors, with renewables continuing to rank highly in terms of policies placed, reflective of the insurance market's support for the shift towards clean energy (see Figure 19).

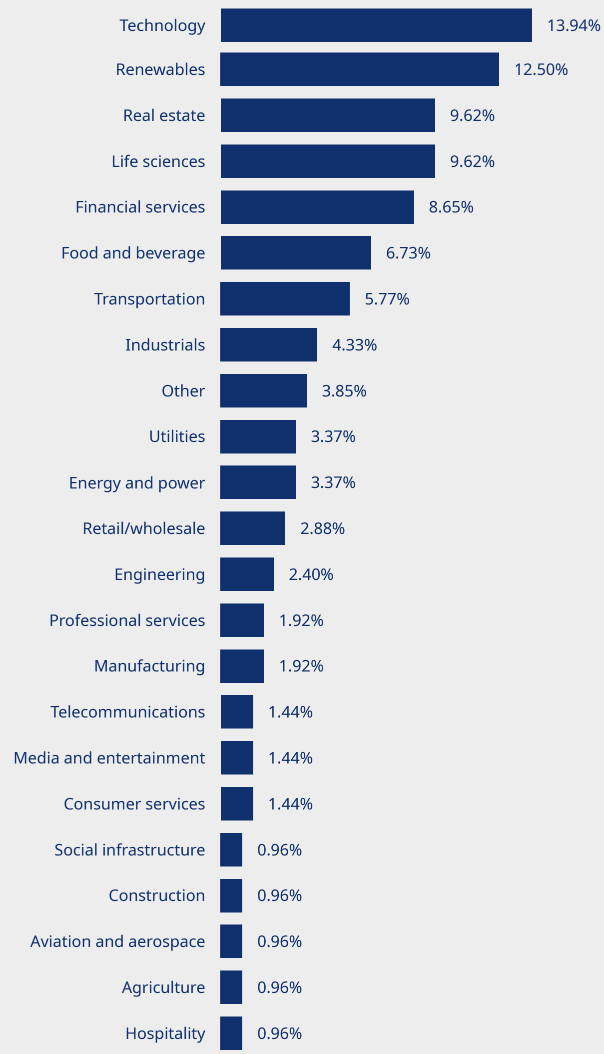
Domestic and international macroeconomic and geopolitical uncertainties persisted in 2024, though to a lesser extent than in the prior year. Nevertheless, there was continued focus on the risk factors of each deal. Consequently, and due in part to low premium costs, insureds, on average, purchased a higher proportion of coverage for each transaction compared to 2023. The average limit purchased grew by over 12% compared to 2023, which had already seen a record 13% growth from 2022. As a result, the average placement now insures nearly 38% of enterprise value (see Figure 20).

Insurer underwriting appetite and innovation

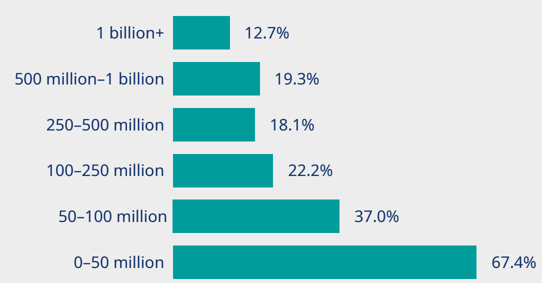
The UK is home to the world's most dynamic insurance market and remains central to the European transactional risk marketplace. Based on market feedback, our team estimates that between US$1.5 to US$1.8 billion in gross written premium was placed in the London market in 2024. The London market continues to pioneer innovation and expanded risk appetite, evidenced by the proliferation of M&A insurance options and support available for 'emerging market' deals last year.

In 2023, we noted that carriers had shifted their focus towards transactions in regions with historically low insurance appetite, a trend that accelerated and matured in 2024. In collaboration with our regional colleagues, Marsh advised on over 50 transactions in Latin America and the Middle East and Africa, with approximately 35 deals quoted by the market, representing an aggregate deal value of around US$18 billion. The team placed approximately US$1.6 billion in limits into the London marketplace across 20 closed deals in 2024. The number of insurers writing Latin America risk doubled during 2024, increasing competition and resulting in generally lower pricing and retentions, as well as coverage, at times, for some historically excluded risk categories, including political risk, anti-bribery and corruption, tax, environmental, and condition of assets. A similar, albeit less pronounced, pattern was observed in transactions in the Middle East and Africa, with increased capacity and reduced premium costs and retentions.

19| Activity by sector



20| UK limits purchased as a percentage of enterprise value (US$)



More broadly, the London market's readiness to provide coverage enhancements — including affirmative cover within W&I policies for known (perceived as lower-risk) matters — accelerated in 2024. This resulted in a broader array of risks being covered at limited additional cost, if any. Insurers also showed a growing willingness to provide coverage for less material jurisdictions in geographically spread target groups where no or limited due diligence had been undertaken, with increasingly insured-friendly definitions of what constituted a "material" jurisdiction. The cost of enhancements, including knowledge scrape, nil retentions on deals for small and medium enterprises, and no disclosure against title and capacity warranties, continued to reduce, often at no additional cost.

While the overall broadening of coverage in 2024 had little or no impact on premium costs, there was increased scrutiny from insurers regarding the capacity they would allocate to individual transactions. There was greater insurer awareness of the risk capital deployed across specific sectors and asset classes. Many sought to decrease limits deployed on a primary layer of insurance, opting to share this limit with multiple insurers to dilute individual risk exposure. We expect this trend to continue, driven by the rise in claims notifications received in 2024 and heightened scrutiny from reinsurers and capacity providers.

Tax

The tax landscape has shifted in recent years, influenced by initiatives against tax avoidance, assertive tax authorities, and tax laws that are seen to be ambiguous. Consequently, demand for tax insurance in the London insurance market has risen, with a notable acceleration in 2024. Tax insurance is increasingly recognized as an effective tool to mitigate tax risks in M&A transactions and various other scenarios, driving significant demand for the product in the UK. This surge is largely attributed to increased market participation, with insurers actively recruiting experienced tax specialists to evaluate and underwrite tax risks. As a result, the cost of tax insurance has significantly decreased, and insurers are more confident in underwriting a broader array of complex tax risks both in the UK and in other regions.

In 2024, Marsh's UK team observed a significant increase in the use of tax insurance for tax risks outside of M&A scenarios, including internal restructurings, refinancings, tax investigations and audits, the availability of tax assets, and the release of balance sheet tax provisions. Insurers expanded their appetite to include coverage for "change of tax law" and other forward-looking tax risks. Traditionally, insurers excluded future "change of law" from tax insurance policies; however, some have re-evaluated this approach to provide greater certainty for future tax liabilities resulting from changes in tax law. Insurers are now more open to covering forward-looking tax risks, particularly regarding withholding tax on future dividends or interest and capital gains tax on future disposals, allowing taxpayers to be more confident in their tax treatment for future transactions.

As the tax insurance market continues to grow, Marsh's UK team continues to secure increasingly larger policy limits, with multiple placements exceeding US$1 billion in policy limits, using both specialized tax insurance capacity and other non-traditional capacity. Rising insurer appetite and growing awareness of the product is expected to contribute to continued market growth in 2025, following the trend established over the past five years.

Claims

As previously reported, insurers paid Marsh clients worldwide over US$1 billion (net of retentions) under transactional risk policies. This milestone is not surprising, given the rapid increase in claim notifications.

In the UK, claims notifications rose by nearly 70% in 2024 compared to 2023. Alongside this increase, Marsh UK observed a growing number of claims that could impact multiple layers of insurance programs. This surge in notifications and quantum of claims aligns with the anticipated trend and is not surprising given the long-tail nature of W&I policies, coupled with the overall growth in the number of deals, policies placed, and limits taken by insureds in recent years.

The most common subject of claims in 2024 remained consistent with 2023, with tax and financial statement notifications occupying the first and second positions, respectively. The third most common type of breach notified to insurers related to compliance with law warranties, followed by breaches of material contracts warranties.

With the uptick in claims activity, there is renewed focus on insurers' claims performance. Insureds are increasingly scrutinizing and inquiring about insurers' claims performance during their underwriting selection process.

UK outlook for 2025

With strong confidence among dealmakers for increased M&A activity in 2025 and an estimated US$3 trillion in uncommitted capital, we expect demand for transactional risk insurance to continue its upward trajectory in 2025. While we anticipate premium costs to remain low in the short term, premium moderation in the mid-term is likely as demand aligns more closely with supply and claims are paid out. That said, any potential increases in cost could be mitigated by expected new insurance capacity entering the market, with no corresponding exits announced to date, which will exert downward pressure on cost and promote more favorable coverage terms. In summary, we expect 2025 to provide opportunities for both buyers and insurers.

Europe

Last year was characterized by increased deal activity, broadened coverage, and low premium rates. Following a slowdown in M&A activity in 2023 that extended into early 2024, deal activity started showing signs of recovery in the second quarter of 2024, resulting in a significantly more active second half of the year.

Marsh's European transactional risk team reported a 35.6% increase in the number of deals and 36.2% increase in overall limit placed during 2024 compared to 2023. The team placed around 600 policies for transactions with an aggregated underlying enterprise value of around US$97.1 billion (excluding UK transactions). Approximately 61% of the European team's policies were placed in the second half of the year, up from around 47% during the second half of 2023.

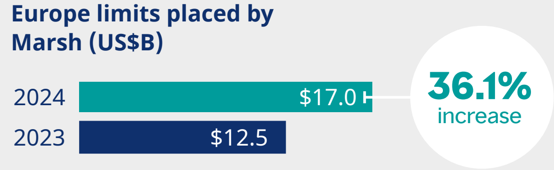
There was a notable year-over-year increase in the midmarket to large-cap transactions with enterprise values between US$250 million and US$1 billion. Transactions with enterprise values between US$250 million to US$500 million increased by 91%. While larger deals were less frequent in the first part of 2024, compared to the pre-M&A slowdown period that commenced in 2022/2023, significant placements, including several very large deals (valued over US$5 billion), reemerged during the second half of 2024. Some placements made by Marsh's European team were for transactions valued at over US$20 billion. This trend is reflected in the average enterprise value of placed transactions, which increased by 16% to US$293 million.*

Notably, several of the largest deals involved strategic corporate divestments and mergers, highlighting growing awareness among corporates of the value of transactional risk insurance to mitigate exposures. More than half — 56.8% — of policies placed by Marsh in Europe in 2024 were placed for corporates, with the remaining policies placed for private equity firms.

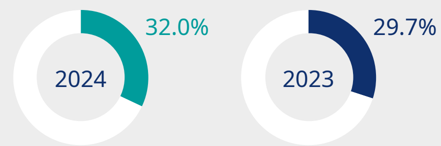
*Note that data in this report is based on transactions that closed on or before December 31, 2024, and thus exclude some signed very large deals that were yet to close by December 31, 2024.

Europe Snapshot

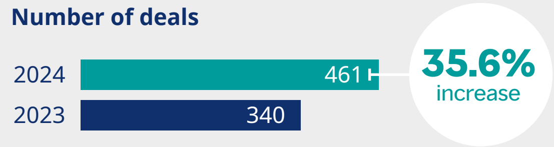
Europe limits placed by Marsh (US$B)



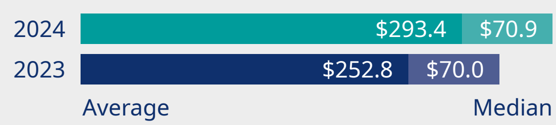
Limits placed as a percentage of enterprise value



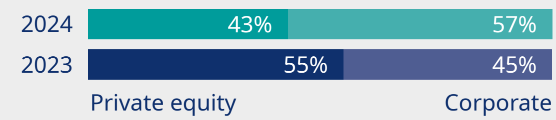
Number of deals



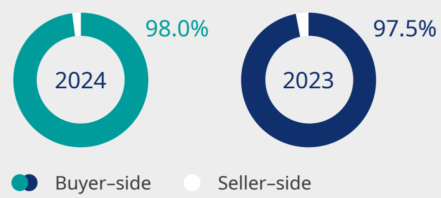
Enterprise value (US$M)



Private equity vs. corporate



Buyer-side/seller-side policies (as a % of total policies)



Key takeaways

- Insurers demonstrated a strong appetite for innovation, introducing new and broader coverage options and expanding warranty periods, which reflects a competitive landscape where flexibility and enhanced coverage are increasingly prioritized.
- Claims notifications reached a record high in 2024, driven by the increased volume of policies issued, with a notable focus on tax and financial statement warranties, underscoring the dynamic nature of the transactional risk landscape.
- The tax insurance market in Europe experienced significant growth, with an increasing number of submissions and policies placed, highlighting its evolution as a recognized tool for mitigating tax risks in various contexts beyond M&A transactions.
- M&A volumes and deal values are expected to increase in 2025. Coupled with increasing claims notifications and larger loss payments, this may lead to premium stabilization and a gradual uptick in rates, while coverage terms remain favorable for policyholders due to vigorous competition among insurers.

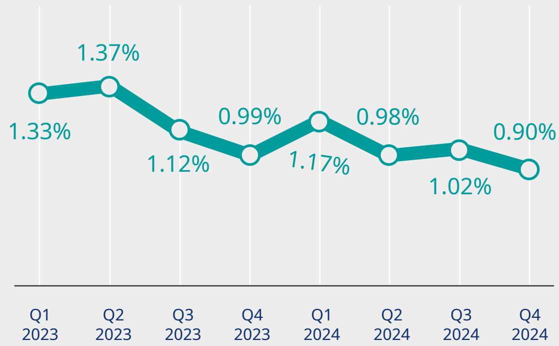
Notable 2024 regional trends

Market changes impact rates

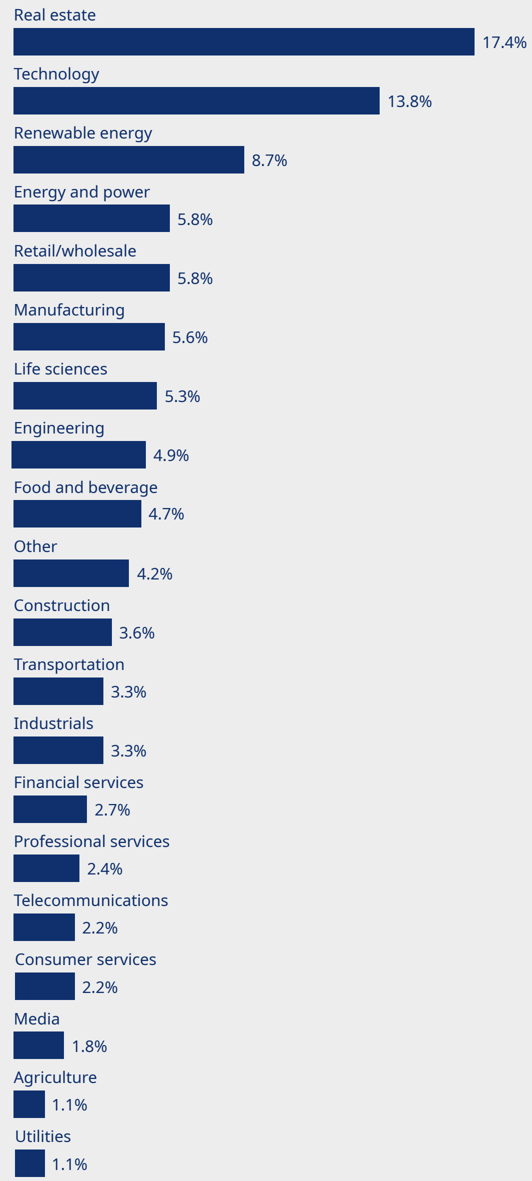
The transactional risk insurance market in the region has been characterized by significantly declining premium rates and retentions coupled with broader coverage since 2023; this continued into the better part of 2024. Ample insurance capacity and an influx of new underwriters during recent years contributed to an average rate decline of 21% from the first to the last quarter of 2024. There was, however, a slight increase in average premium rates during the third quarter, suggesting that the trend of premium reductions may be stabilizing (see Figure 21).

The increase in deal activity reduced underwriting capacity during 2024, resulting in certain insurers becoming more selective of risks to underwrite and slowing rate decreases. The real estate sector rebounded in several European markets, with warranty and indemnity (W&I) real estate placements increasing by 24%, following a materially subdued real estate M&A market in 2023. Real estate placements increased by 51% during the second half of 2024, compared to the same period in 2023. Our 2024 placements portfolio featured a higher concentration of real estate and renewable energy transactions, which tend to have a lower insurance premium cost than operational M&A deals (see Figure 22). Consequently, average overall premium rates were somewhat weighted toward the lower end of the pricing spectrum.

21| Premium rates for completed deals



22| Deal activity by industry (%)



As outlined in previous editions of this report, the private equity community has historically been the most active in the European transactional risk insurance market. After a slower than usual 2023 for private equity-driven deal activity, 2024 showed signs of a comeback for private equity-driven deal activity — both exits and acquisitions.

While private equity-backed exits increased during 2024, compared to 2023, uncertainty remained, with many sellers looking to avoid full formal auction processes. Instead, we saw an increase in more streamlined and less formal approaches that allowed sellers to test their options. This approach resulted in fewer potential insurance placements, generally with fewer insurers approached for quotes and accelerated timelines once a buyer was granted (formal or informal) exclusivity. In general, sales processes were generally more cautious and involved longer negotiations.

Insurer underwriting appetite and innovation

Competition among insurers underwriting transactional risks in Europe remained vigorous in 2024, with insurers introducing new coverage options under their W&I policies. The practice of "synthetically" improving coverage compared to underlying positions under the share sales and purchase agreements (SPAs) continued to expand, with insurers generally adopting a more flexible approach, for example, by removing seller's knowledge qualifiers, materiality qualifiers, and time limitations in warranties in a greater number of instances than before. Some insurers began to synthetically remove certain loss exclusions under SPAs for the purposes of determining loss under the W&I policies, which is something that insurers generally had been unwilling to do previously to the same extent.

Another continuing trend was the lengthening of warranty time limitations for warranties with extended policy periods; in many cases, business warranties increased from 24 to 36 months from completion, while environmental and intellectual property (IP) and information technology (IT) warranties extended to 60 months from completion. In most instances, insureds paid no or limited additional premium for this enhancement.

We also noted increased insurer appetite to offer coverage for warranty breaches occurring and discovered between signing and closing, known as "new breach cover" (NBC). In prior periods, this feature was generally only available on real estate deals or on a case-by-case basis for less complex transactions. In 2024, many insurers started offering NBC, including for larger, more complex transactions with substantial operations across many jurisdictions. Buyers have started to take up this enhancement, and in Europe the number of policies with NBC increased by 700%. One potential differentiator among insurer offerings is whether NBC excludes breaches that constitute so-called material adverse change (MAC) events, with some insurers lifting the MAC exclusion on certain transactions. Where offered, NBC now typically encompasses the actual payout of a covered loss and not solely erosion of the retention (which is a version seen previously and that continues to be offered in other regions).

For target companies with geographically dispersed operations, insurers expanded their appetite for less material jurisdictions and entities not subject to due diligence with reliance solely on relevant disclosures. Insurers are generally taking a more pragmatic and flexible approach when offering this coverage.

Insurers showing increased willingness to offer fully synthetic W&I insurance policies — where warranties exist only in the policy — grew. Awareness of this approach among buyers, sellers, and M&A advisors increased significantly, leading to a rise in inquiries and placements of these synthetic solutions. The increased number of distressed M&A situations, as well as public-to-private transactions, contributed to this growth. This synthetic solution with only policy-based warranties is viewed as offering meaningful coverage for investors, especially in publicly listed transactions where traditional warranties are generally not available.

In 2024, there was also heightened awareness of and interest in standalone contingent liability insurance solutions aimed at addressing known contingent liability issues, both within and outside an M&A context. Inquires and placements of contingent liability insurances for non-tax issues increased materially during the year. Insurers are evolving their approaches in this developing space and although available capacity and underwriting appetite scaled back substantially for contingent matters in ongoing litigation, the appetite for appropriate contingent liability risks outside of litigation is increasing, with several insurers having dedicated contingent liability underwriters. This overall trend is most clearly evident in, and led by, the rapidly increasing activity within the tax space.

Tax liability insurance

The European tax insurance market continued to grow significantly in 2024. We observed the number of tax insurance submissions growing substantially across the region, with the greatest levels of activity in Spain, Germany, Italy, France, Poland, and the Netherlands.

The number of tax policies placed by Marsh's European team increased by 21% compared to 2023. Aggregate insured limits saw a 107% growth compared to 2023, driven by some larger placements. Compared to 2020, the number of placements has quadrupled, and the aggregate limit has increased tenfold.

The increasing number of submissions and policies placed, coupled with the sharp increase in aggregate insurance limits purchased, demonstrates that tax insurance has become established in Europe and is now regarded as a common tool by a wide range of stakeholders. Many insureds and their legal and tax advisors have recognized the benefits of tax insurance for known tax risks, both within the context of M&A transactions and to mitigate risks arising from day-to-day operations and internal restructurings outside of an M&A context.

Global insurers have also identified Europe as a growth market for tax and many have invested heavily in local underwriting teams in major European countries, allowing the underwriting of more complex risks while taking into account European countries' specific national circumstances.

This marks a shift from many insurers' prior approach, with the majority of policies underwritten in London.

We also correspondingly expanded our team, with tax professionals in Germany, France, Spain, Italy, Benelux, the Nordics, and Poland, making Marsh the largest tax broking team across Europe and bringing us closer to our clients.

Increased expertise among insurers and brokers, combined with a steadily growing number of policies placed, has led to better coverage and contributed to declining premiums. While the rate on line varies considerably depending on the nature of the risk and the jurisdiction, there is a clear downward trend. The average rate on line for Marsh placements in Europe dropped from around 3% to 4% in 2020 to 2.92% in 2023 and 2.03% in 2024.

We currently anticipate that Europe's insured-friendly tax market will probably continue during 2025, being one of several factors likely contributing to further growth of the European tax market.

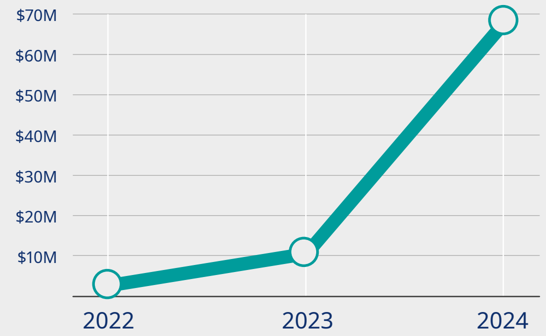
Claims

More than US$71 million was paid to Marsh Europe's clients in 2024, making it a record year for recovery amounts (see Figure 23). The figure would be closer to US$100 million when factoring confirmed payments that have not yet been disbursed. These paid losses include a mix of small and large payments. The largest relates to the primary layer on a substantial W&I tower with an aggregate limit exceeding US $100 million, the remainder of which we anticipate will be fully paid out during 2025. Additional significant payments are expected in 2025 under policies placed by our European team. The increasing claims payments observed among Marsh clients appears consistent with a broader trend, including a public widely reported payment of more than US$100 million by European W&I insurers on a particular transaction.

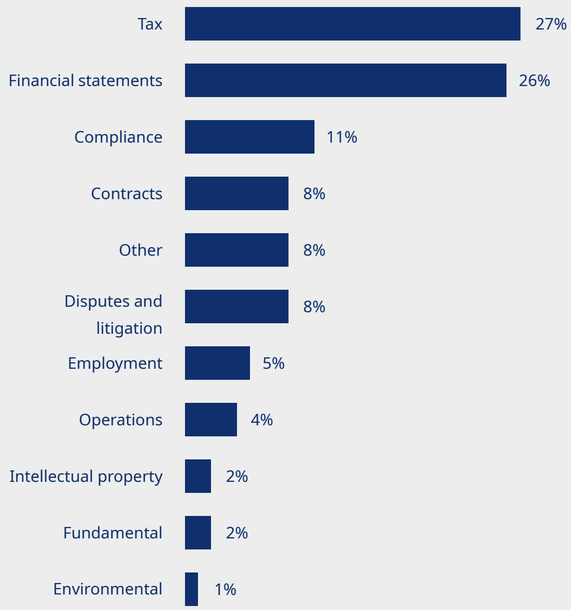
Claims notifications increased by 45% compared to 2023, with 2024 being a record year for Marsh in terms of claims notifications in Europe. A level of increase was expected due to the high volume of policies issued in prior years. Similar to previous years, the majority of claims notifications were related to (and were evenly distributed between) tax warranties and financial statement warranties (see Figure 24).

Although tax breaches consistently rank among the most common types of breaches every year, we have not yet seen a corresponding increase in crystallized losses and payments associated with them. Most payments, particularly the larger ones, are related to financial statement warranties, which made up 40% of payments in 2024, compared to 13% that were related to tax claims (see Figure 25).

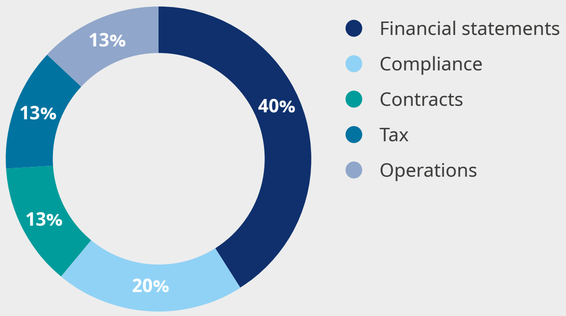
23| Claims payments between 2022 and 2024 (US$)



24| Notifications by breach type



25| Payments by breach type



Of payments made between 2020 and 2024, a greater number of notifications were made against tax warranties than against financial statement warranties (see Figure 26). However, more payments were related to financial statements, 35%, than to tax warranties (21%).

The difference between tax notifications and tax payments can be attributed, at least in part, to the fact that notifications often arise from potential issues or concerns that do not ultimately lead to claims that meet a policy's payment criteria. Tax audits, for example, need to be notified, but do not always result in a loss.

Given the rise in claims and payments, insurers' approaches to claims handling processes are under closer scrutiny, with insureds and brokers looking to identify differences in insurers' management of claims and investments in dedicated transactional risk claims teams.

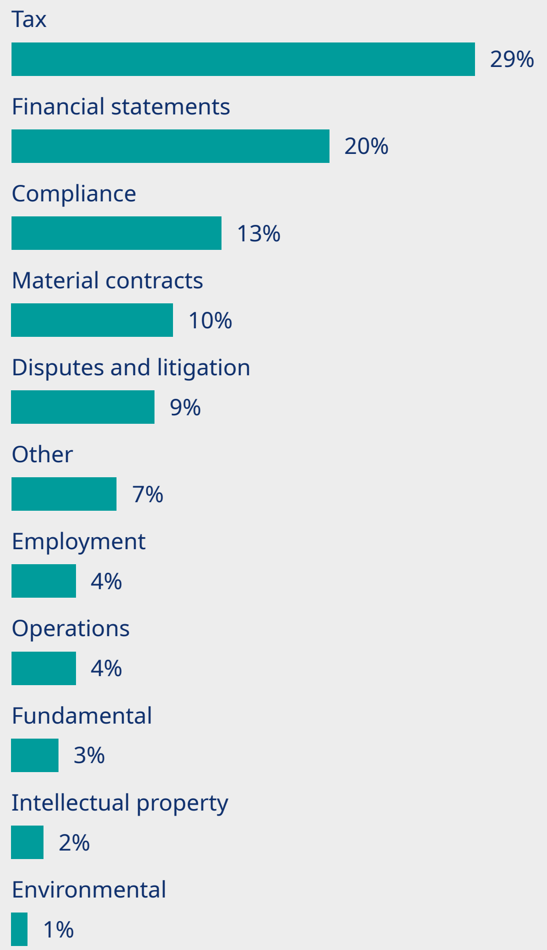
The rise in W&I claims notifications and payments reflects a dynamic environment where insureds are actively using their insurance policies to protect their investments. This suggests heightened risk awareness and a more complex transactional landscape, underscoring the need for enhanced risk management strategies and thorough due diligence in future transactions.

European outlook for 2025

Increasing M&A volumes and deal values — mainly fueled by lower interest rates and greater numbers of private equity mid-market transactions and buy-outs, together with the return of very large deals — are expected to lead to rate stabilization. Ongoing larger claims and substantial upcoming payments are expected to influence insurers' and reinsurers' views on sustainable pricing in the medium term, which may result in a gradual uptick in transactional risk insurance rates. However, an increasing rate environment could be delayed by new entrants.

In terms of the broadened coverage and enhanced solutions, we anticipate that affirmative cover for known risks and contingent liability insurance will continue to increase. The broadened coverage established during 2024 is expected to remain and continue to be expanded as insurers look for ways to compete and win business other than competing solely on pricing. In short, we expect that the market will remain favorable for insurance buyers throughout 2025.

26| Notifications by breach type, 2020 to 2024



Middle East (excluding Israel) and Africa (MEA)

Diversification, privatization, and foreign capital inflows were key features of the Middle East and Africa (MEA) M&A market in 2024. Reported aggregate value of completed transactions in 2024, excluding outbound investment, exceeded US$45 billion across more than 480 transactions.*

This activity, combined with innovation in the transactional risk insurance market and historically low placement costs, led to robust use of M&A insurance across the regional investment landscape, with broad application across various sectors and deal structures, including continuation vehicles, minority investments, and carve outs.

Key takeaways

- Sovereign wealth funds (SWFs), acting directly and indirectly, have significantly contributed to sustaining deal activity in the Middle East, particularly in the Gulf Cooperation Council (GCC) region.
- Despite a decline in the number of deals, there has been a notable increase in demand for M&A insurance, indicating a growing maturity in regional transactions and a substantial rise in the number of insurers willing to underwrite these deals, resulting in lower costs and expanded coverage.
- With global M&A activity expected to gain momentum, the region is poised to play a crucial role in emerging investment sectors, with M&A insurance anticipated to remain a vital tool for mitigating risks and facilitating transactions in a dynamic market.

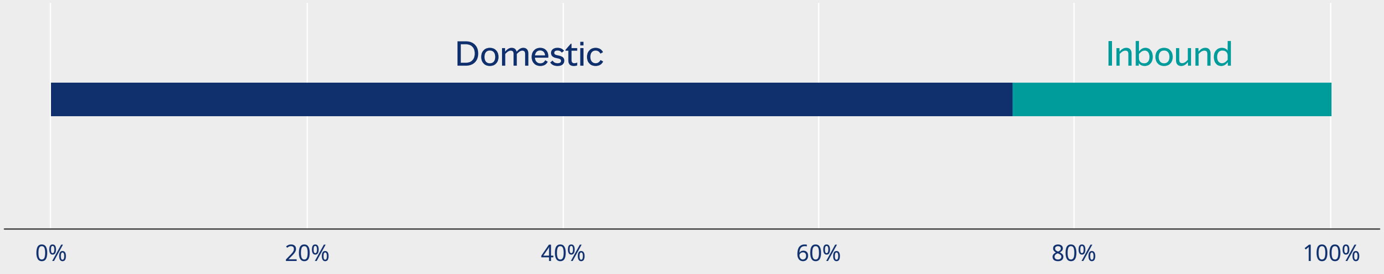
MEA: Notable 2024 regional trends

SWFs played a key role in sustaining deal activity in the region, with 2024 marking the highest level of global dealmaking by SWFs in over a decade.

Although the reported aggregate number of deals in the region fell by 13% compared to the prior year*, 2024 saw a return of larger transactions, with aggregate completed deal value in the region exceeding US$33 billion, a 42% increase over the prior year. The UAE and Saudi Arabia remain at the forefront of this activity, driven by economic diversification and infrastructure development initiatives. While the UAE leads in deal volume, Saudi Arabia's focus on large infrastructure and public-private partnerships aligns with its *Vision 2030* strategy.

Marsh's activity reflects these trends. In 2024, we placed over US$550 million of insurance capacity relating to closed investments in the UAE and Saudi Arabia alone, with an aggregate deal value of US$2.25 billion and median deal size of US$450 million. Inbound investment amounted to 25% of transactions, highlighting the increasing prominence of foreign direct investment in the GCC region (see Figure 27).

27| **Number of GCC transactions — domestic versus inbound**



According to market feedback, there has been a 78% increase in quote requests for M&A insurance relating to transactions in the region since 2022. This growing demand for M&A insurance reflects an increasing maturity and sophistication of regional transactions, as well as insurers' readiness to underwrite these deals. In fact, the number of insurers prepared to underwrite regional deals on a primary basis has increased from five in 2021 to approximately 15 today, typically resulting in lower costs and expanded coverage parameters. This trend is supported by our placement data, which shows that the mean premium rate for transactions in the region was just over 1.3% in 2024, a decrease of over 60% since 2021.

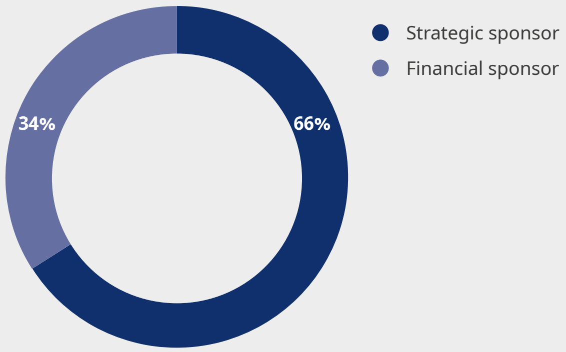
Our team has also observed that transactional risk insurance was predominantly used by strategic sponsors, which accounted for 66% of buyers. These included SWF-controlled corporates, which is indicative of the buyer profile for the region (see Figure 28).

Africa: Notable 2024 regional trends

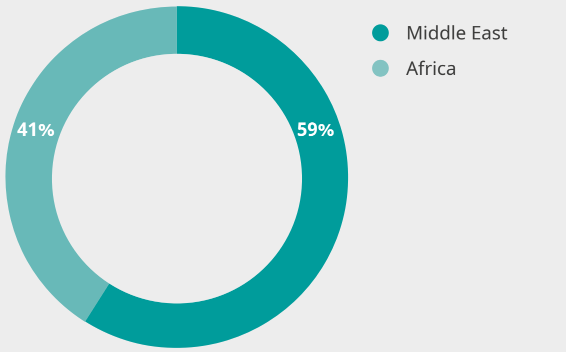
Aggregate deal volume and deal value for Africa reportedly dropped by 29% and 12%* respectively in 2024, compared to 2023.

Demand for M&A insurance, however, remained strong, with Africa accounting for 41% of all M&A insurance policies placed by our MEA practice on closed transactions in 2024 (see Figure 29). This was distributed as 67% in Sub-Saharan Africa and 33% North Africa (see Figure 30). The deal value of transactions for which Marsh placed transactional risk coverage was US$2.7 billion, around 22% of the reported aggregate deal value for all closed deals on the continent in 2024, with a median deal size of US$152 million. The rising share of investment from outside the continent, which was a feature in 67% of the placements made by Marsh, is indicative of Africa's growing integration into global supply chains and capital flows, driven by sectors like energy, mining, and agriculture.

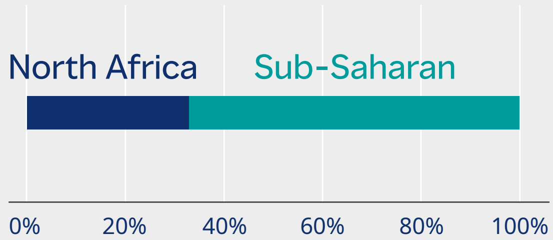
28| Buyer profile (Middle East)



29| Bound (closed) placements by region



30| Location of target



The total insurance capacity placed by Marsh on transactions in Africa in 2024 was US$330 million, with a mean premium rating of just under 2.2%. This represents a decrease of more than 50% in placement costs compared to mean premium rating for transactions in the region in 2021. Falling costs in 2024 coincided with significant expansion in the breadth of policy coverage terms, particularly the availability of coverage for local tax matters.

According to market feedback, there has been a 55% increase in quote requests for M&A insurance relating to transactions in Africa since 2022. More than 10 insurers are consistently underwriting transactions in South Africa, with some limited sectoral exceptions; with a lower number of insurers underwriting transactions elsewhere in Africa. In 2024, Marsh advised on M&A insurance placements for transactions in Nigeria, Egypt, the Democratic Republic of Congo, Zambia, Gabon, Kenya, Uganda, Botswana, and South Africa.

MEA outlook for 2025

With global M&A activity on course to continue picking up momentum in 2025, MEA is expected to play an active role in key investment frontiers, including energy transition, high technology, and the digital economy.

In a dynamic market marked by the presence of state-sponsored buyers and sellers, where contractual recourse is rare and confidence in transactions is key, M&A insurance is expected to remain a tool for dealmakers in 2025, providing protection against liabilities and facilitating smoother transactions.

Asia

The transactional risk market in Asia gained momentum in 2024, with Marsh's Asia team noting increased deal volumes across all sub-regions. While sentiment remained cautiously optimistic, outcomes were uncertain until September, when W&I insurance activity surged, remaining robust through year-end. We concluded 2024 with a record 318 transactional risk policies — both primary and excess — across 148 completed deals. This represented a 30% increase in policy placements and 0.7% in completed deals over 2023. These policies provided over US$7.8 billion in protection limits for our clients, insuring transactions with an aggregate enterprise value exceeding US$32.5 billion.

Key takeaways

- Competition in Asia's W&I insurance landscape remained vigorous throughout 2024, with insurers striving to meet client demands for better pricing and policy terms amidst a gradual uptick in M&A activity.
- The tax insurance market in Asia has developed significantly, with insurers willing to underwrite tax risks in jurisdictions that were previously outside their remit. This, together with decreasing premium rates and greater awareness, has driven the growth of the product in Asia.
- Claims volume remained stable, with tax claims accounting for most notifications.
- There is optimism about a potential recovery for M&A activity in 2025, despite concerns about the sustainability of current low pricing in the transactional risk market. Adjustments by insurers may be necessary to maintain service quality and meet evolving client needs.

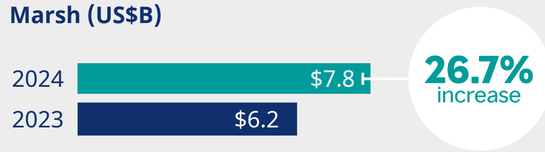
Notable 2024 regional trends

Vigorous competition persists

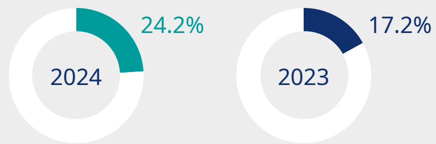
The favorable market conditions experienced by insurance buyers in Asia that emerged in 2023 continued throughout 2024. Marsh's Asia team recorded a 29% year-on-year rise in primary submissions. Competition among W&I insurers for engagements remained robust, with clients benefiting from more competitive pricing, improved policy terms, enhanced coverage, and less burdensome information requirements during underwriting.

Asia snapshot

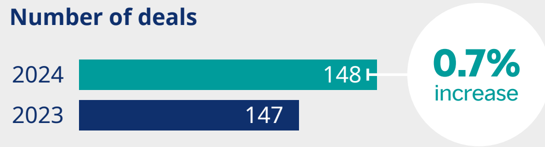
Asia limits placed by Marsh (US$B)



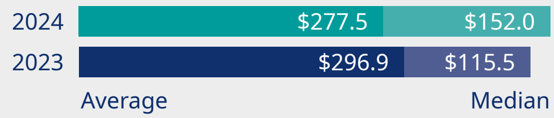
Limits placed as a percentage of enterprise value



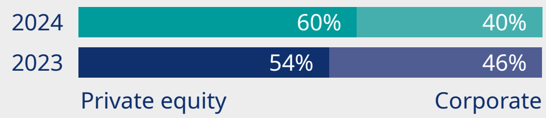
Number of deals



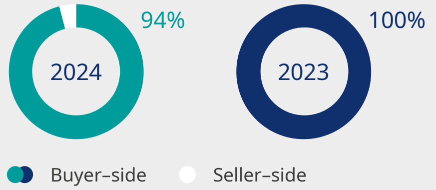
Enterprise value (US$M)



Private equity vs. corporate



Buyer-side/seller-side policies (as a % of total policies)



Impact on pricing

The low W&I insurance pricing for Asia deals in 2023 persisted throughout 2024 and premium rates declined further due to excess underwriting capacity and competition. The average premium rate for W&I policies placed by Marsh fell by 24%, from 1.7% to 1.3%. Primary premium rates for policies without enhancements were as low as 0.6% for Asia operational targets and just under 0.5% for real estate targets. There were also fewer disparities in pricing across Asia, with a narrower spread of rates quoted across geographies compared to previous years, when regions like India and Greater China typically saw higher rates than elsewhere. By the end of 2024, average primary premium rates had generally settled in the 1% to 1.6% range for operational targets and 0.6% to 0.8% for real estate targets.

Impact on policy parameters

Many insurers have offered more favorable retention and de minimis options for their policies. Fixed retention thresholds of 0.25% of enterprise value and de minimis thresholds of 0.05% of enterprise value (or lower) are now commonly seen, even for deals with smaller valuations. In addition to offering "tipping to nil" retention options, some insurers have even expressed a willingness to quote nil (or close to nil) retention options for certain operational targets.

Impact on other terms and conditions

Since late 2022, insureds have benefited from favorable and significantly improved W&I insurance policy terms and conditions, as underwriters were pushed to limit exclusions and other restrictions. In 2023, we observed a greater willingness to remove exclusions related to matters typically addressed by operational insurance policies — such as cyber risk, product liability, professional indemnity, medical malpractice, and environmental liability; in 2024, some insurers began to agree to remove what have been common jurisdiction-specific exclusions. These included anti-social forces in Japan and anti-bribery and corruption/anti-money laundering risks across select jurisdictions.

As many coverage enhancements available in more mature W&I insurance markets became more common across Asia, and with more competitive pricing, we observed increased interest in and uptake of these enhancements. This was particularly evident in the removal of the deemed disclosure of due diligence reports and/or contents of the virtual data room from the W&I policy's fair disclosure regime, and also for new (or interim) breach cover and excess fundamental warranty top-up cover.

Impact on process

An insurer's ability to streamline the underwriting process has become a key differentiator. Insurers that minimized underwriting questions, eliminated the need for underwriting calls, relaxed diligence requirements (including accepting in-house diligence instead of external advisors), supported non-English deals with limited translations, and provided local language underwriting support, were best positioned to secure appointments across a wide range of opportunities. Those focusing on client service and a pragmatic, solution-oriented approach to underwriting were more frequently selected by clients.

A double-edged sword

While insurers are increasingly willing to offer insured-friendly policy terms, their availability ultimately hinges on satisfaction of underwriters' requirements. For instance, some insureds were surprised by the level of detail insurers required in their underwriting questions to support the lower retention and de minimis thresholds discussed earlier.

Some insureds faced situations where, despite an insurer's willingness to underwrite a specific area of coverage, they had not completed the necessary diligence work to enable the insurer to proceed. Consequently, they had to decide whether to forgo coverage under the policy or delay the deal timeline to conduct additional diligence. Such situations illustrate the benefits of early and clear communication to align the insured's and insurer's expectations concerning the underwriting process.

Rise in deal sizes, other usage trends consistent

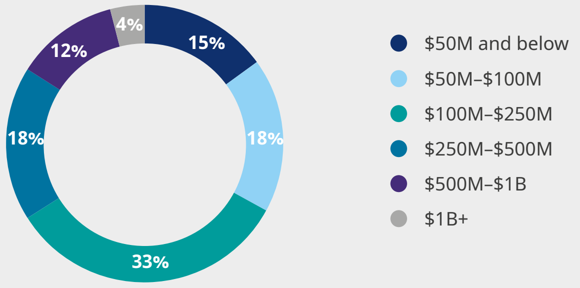
While the proportion of completed W&I deals valued below US$250 million remained steady, making up 66% of our total W&I deal portfolio, the share of deals in the US$100 million to US$250 million range increased significantly, from 20% to 33% of our portfolio. Conversely, the proportion of deals valued at US$50 million and below dropped sharply, from 25% to 15% (see Figure 31). This trend aligns with our broader observation that deal valuations in 2024 showed signs of recovery, with larger transactions valued at US$1 billion and above re-entering the W&I insurance market.

Private equity buyers were slightly more active users of transactional risk insurance in 2024, representing 60% of our insureds on completed deals. Real estate, manufacturing, healthcare, and communications, media, and technology emerged as the leading sectors in our completed transactional risk deal portfolio (see Figure 32).

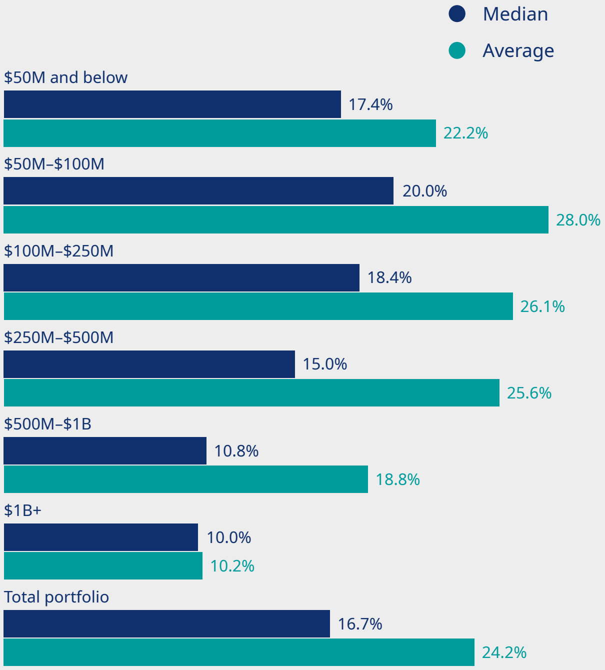
Sell-side policies

The rise in requests for sell-side W&I policies in late 2023 led to the placement of a significant number of these policies in 2024, accounting for 6% of our total W&I deals completed during the year. These policies were mostly used by sellers in cases where

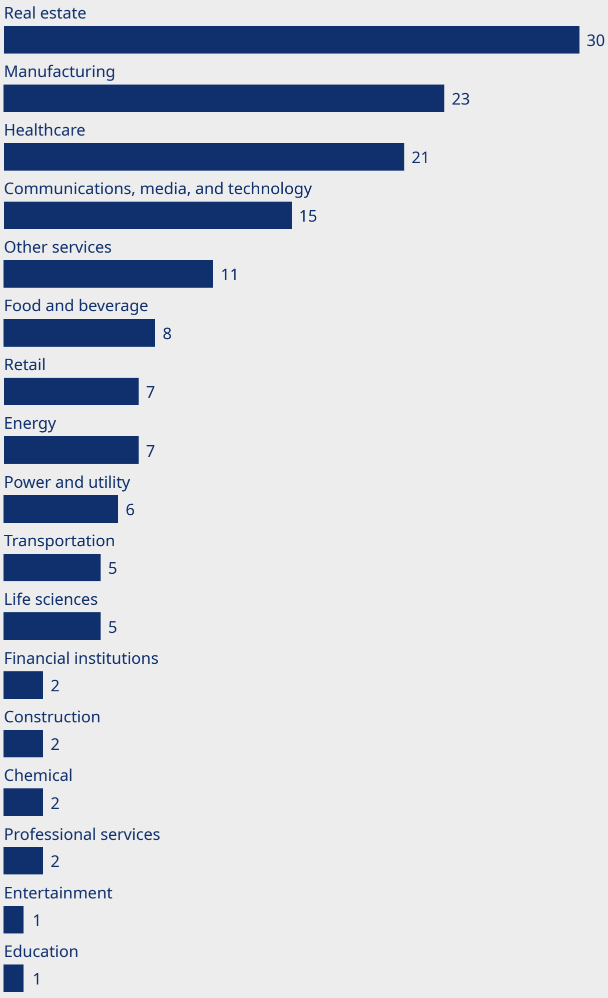
31| 2024 Asia deal portfolio by enterprise value tranche (US$)



33| Asia limits purchased as % of enterprise value



32| Asia transactional risk — deal activity by industry (number of deals)



buyers insisted on full-recourse deals or were unfamiliar with W&I insurance. They were also used by sellers to manage their exposure to indemnification obligations arising from gaps in buy-side policy coverage, especially when buyers with stronger bargaining positions were unwilling to conduct additional diligence for underwriting purposes.

Fundamental warranty top-up cover

We had previously noted an increased uptake of fundamental warranties coverage — both on a standalone and top-up basis — in India. This trend has expanded to other regions, with more buyers opting to purchase this coverage for up to 100% of the applicable deal value. This shift reflects a desire to mirror the level of fundamental warranty recourse a buyer typically seeks in uninsured transactions.

Tax liability insurance

India's tax insurance market is the most developed in Asia, and is commonly used to cover risks related to international tax treaty benefits, particularly in M&A transactions where the buyer acts as the withholding agent for capital gains tax owed by sellers.

The key risks relate to the double tax avoidance agreement (DTAA), which have evolved and contributed to an increase in queries related to the transfer of shares acquired post-2017. There has also been a notable rise in interest for coverage of domestic tax risks. In 2024, Marsh placed tax insurance programs in India with aggregate limits reaching approximately US$1 billion across different policies, reflecting a demand for larger limits of liability and, consequently, greater excess capacity from tax liability insurers.

Although India accounts for the majority of tax policies placed in Asia, the use of the product has expanded across the region, notably in China, Indonesia, Japan, South Korea, Singapore, and Vietnam. The increased demand for tax insurance in the region has been driven by:

1. **Greater awareness.** Clients are increasingly using tax insurance to seek to protect their balance sheets and transfer tax exposures to insurers. Advisors are advocating for this product as an alternative to purchase price adjustments, funds being put in escrow, or specific indemnities, enabling sellers to achieve a "clean exit" and providing buyers with greater financial protection. Tax insurance is also being used beyond an M&A context, primarily for group restructuring and "business-as-usual" tax exposures.
2. **Expanded insurer appetite.** Many insurers are willing to underwrite tax risks in jurisdictions that were previously outside their remit, including historically challenging risks, such as tax positions heavily dependent on factual circumstances, for example, loss utilization rules, valuation, and transfer pricing.

The number of insurers writing tax risks in Asia has significantly increased, resulting in a highly competitive market that generally offers favorable pricing for insureds. Our observations show that premium rate on line for Asian tax risks typically range from 2% to 5%, depending on the jurisdictions involved.

Claims

Claims volume remained flat compared to the prior year, with 20 notifications being filed with insurers in 2024 across 19 standalone deals. While the number of notifications was similar to 2023's, there was a 46% increase in the number of standalone deals impacted. Note that the number of deals impacted by claims in 2023 increased by 15% compared to 2022.

Tax claims, which started increasing in frequency in 2023, outnumbered other drivers of losses for clients in the region, accounting for 47% of all breaches notified in 2024, a 15% increase compared to 2023. Five notifications were made on tax liability policies, consistent with the previous year. While financial statement breaches were absent in 2023, they represented 27% of claims notified in 2024. Other breach categories included compliance and asset warranty breaches. Note that while financial statements breaches were not observed in 2023, they increased to represent 23% of all claims notified in 2024. We continue to hold the view that loss severity is likely to be influenced by the presence of financial statements breaches.

We anticipate closer alignment to global trends in the coming years as the Asian transactional risk market matures.

Asia outlook for 2025

Market participants in Asia are generally approaching 2025 with greater optimism compared to the beginning of 2024, with some expecting a substantial recovery in M&A activity.

While the transactional risk market in Asia is well-positioned to support the growing pipeline of 2025 deals, there is a reasonable prospect of more difficult insurance market conditions, following several consecutive years of steep declines in pricing, increased frequency and severity of claims against transactional risk policies, and rising business costs. Insurers and industry experts have publicly stated that current transactional risk pricing is unsustainably low and needs to improve in the near term to continue servicing clients in the manner they have come to expect.

Regardless of whether or when pricing levels rise, we remain confident that many of the insured-friendly features of the transactional risk market in Asia will be lasting, as the industry strives to better serve insureds and meet their evolving and increasingly sophisticated needs.

Regional trends

Greater China

Geopolitical challenges dampened the growth of transactional risk placements in Greater China in 2024, contributing to a 17% decrease in completed deals compared to the prior year. Despite this, various insurers showed a strong appetite for risks in the region, with average premium rates for completed deals in Greater China decreasing by 26%, from 1.7% to 1.2%. A slowdown of international private equity activity in the region shifted the focus towards domestic M&A players. Consequently, there has been an increase in requests for insurers to offer Chinese language underwriting with minimal or no translations of Chinese documents. Some insurers have collaborated with counsel to develop capabilities to support this, and we expect this trend to expand further in 2025 should the appetite of international private equity players remain constrained.

Japan

Our Japan team in 2024 registered a 2.1% increase in completed deals, led by the manufacturing sector. Due to a higher concentration of domestic deals valued under US$50 million, there was an 18% decrease in average premium rates for Japanese targets, down from just under 2% in 2023 to 1.6% in 2024.

Demand for domestically underwritten Japanese M&A policies remained stable, with these policies accounting for 56% of our completed deals, up from 53% the previous year. Japan also saw a resurgence in outbound M&A deal activity, particularly towards the US, with these transactions comprising over 20% of the completed deal portfolio. As Japanese transactional risk insurance buyers become more familiar with US-style policies and underwriting, it will be interesting to see whether they begin to demand the same broad cover and fast-paced underwriting for non-US transactions.

Our team also noted that Japanese sellers are increasingly recognizing the benefits of exercising greater control over the use of transactional risk insurance during their exits through sell-buy flips. There is a growing preference among private equity clients and their advisors to arrange such stapled insurance solutions to support their sale processes.

India

The strong momentum that India's M&A market showed in 2023 continued well into 2024. Marsh's closure of several large deals included notable auction transactions, along with the placement of a record US$840 million worth of insurance cover for a single transaction — one of Asia's largest transactional risk programs to date.

The overall volume of completed deals remained stable in 2024, with larger risks leading to increased use of excess capacity. The total number of policies placed in 2024 went up by approximately 30%, compared to 2023. Average premium rates registered a 26% decline, dropping from 1.8% to 1.3%. The sectors with the highest number of completed deals were healthcare and communications, media, and technology.

Due to reduced pricing, improved coverage, and streamlined underwriting processes available for Indian transactions, we observed a significant increase in the use of W&I insurance in large competitive auctions. Sellers are increasingly mandating sell-buy flips and pre-exclusivity underwriting to increase competition among bidders during their sale processes. We expect these practices to become well-established tools in dealmakers' arsenals, similar to other regions.

South Korea

Although M&A activity in South Korea remained subdued in 2024, with a noticeable reduction in deal execution by Korean conglomerates, an upturn later in the year led to a 75% increase in deals completed by our team. The sectors with the highest number of completed deals were manufacturing and energy and power.

Average premium rates for South Korean transactions declined by 20%, from 1.8% in 2023 to 1.4% in 2024. Additionally, similar to trends observed in other parts of North Asia, there was an increase in requests from Korean insureds for insurers to minimize or eliminate translations of Korean language documents. Certain insurers have developed closer ties with local underwriting counsel to support client requests for underwriting to be conducted entirely in Korean. This trend is likely to continue as buyers seek a fully domestic offering that better aligns with their preferences.

Southeast Asia

M&A activity in Southeast Asia recovered in 2024, with strong deal flow throughout the year, the return of larger deals, and frequent competitive auction processes for sought-after assets. Our team completed 36 deals. Average premium rates decreased by 21%, from 1.4% in 2023 to 1.1% in 2024, with real estate and healthcare as the top sectors.

While dealmakers in Southeast Asia have long used W&I insurance, with sell-buy flips commonly utilized by sellers, more banks are entering the private equity exit space — which was previously typically handled by boutique investment banks — and becoming proponents of W&I insurance. Many of these auction processes require significant underwriting resources from insurers to respond on short notice, supporting pre- and/or post-exclusivity underwriting for multiple bidders over extended commitment periods.

Prospective insureds are seeking clearer guidance from insurers regarding the expected scope of work for different streams of due diligence. This is likely due to the more mature market and their desire to enhance coverage and ensure auction execution certainty before starting the underwriting process. While insureds will certainly benefit from higher levels of service, going forward insurers will need to invest in resources and reconsider their approaches to meet client needs.

Pacific

Despite a slow start to the year, deal activity in the Pacific steadily increased throughout 2024, resulting in Marsh's Pacific team working on a record number of deals, up 29% from 2023. The number of policies placed by Marsh rose by 71%, with 134 policies placed in 2024, compared to 78 in 2023.

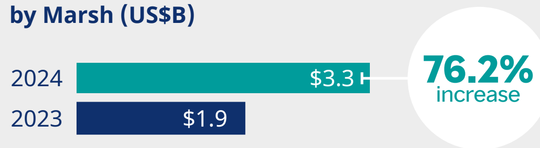
The data demonstrates a growing reliance on W&I insurance as a powerful deal facilitator. Notably, the uptake of W&I insurance surged for both smaller deals under US$50 million and very large transactions over US$1 billion, which historically faced cost-related challenges. These challenges have been mitigated through increased competition and a more insured-friendly W&I market in the Pacific region.

Key takeaways

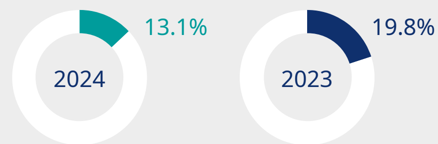
- W&I insurance rates in the Pacific continued to decline in 2024, reflecting an increasingly competitive market environment driven by new entrants and aggressive pricing strategies.
- The use of transactional risk insurance has become increasingly prevalent across various deal sizes and sectors, particularly in technology, renewables, and infrastructure, indicating the product's broad applicability and perceived value in the diverse Pacific market.
- The tax insurance market in the Pacific has continued to develop, with decreasing premium rates and a growing appetite from insurers for various tax exposures, suggesting an increasing recognition of tax insurance as a valuable tool for managing transaction-related risks.
- There are expectations of continued momentum in 2025, driven by private equity investment and a willingness among deal parties to compromise.

Pacific snapshot

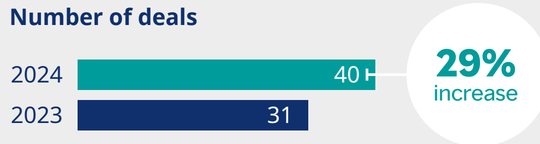
Pacific limits placed by Marsh (US$B)



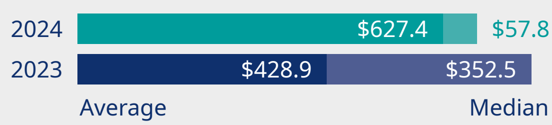
Limits placed as a percentage of enterprise value



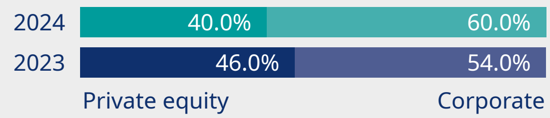
Number of deals



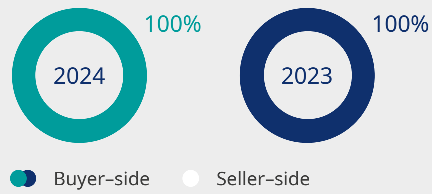
Enterprise value (US$M)



Private equity vs. corporate



Buyer-side/seller-side policies (as a % of total policies)



Notable 2024 regional trends

Impact on pricing

In 2024, rates for W&I insurance in the Pacific continued to decrease, maintaining the insured-friendly environment seen in 2023. The average primary premium rate fell from just under 1.4% in 2023 to below 1.2% in 2024. This decline reflects increased competition among insurers, driven by new entrants and insurers' aggressive pricing strategies.

While 2024's average rate encompasses all transactions, it is important to recognize that this figure is influenced by larger deals, which generally attract significantly higher premiums. The average primary premium rate (the rate for the first layer of insurance) on transactions valued under US$1 billion was just under 1%, contrasting with the 2.7% average primary rate for deals of over US$1 billion. Primary rates for very large deals are often higher, considering their direct exposure to risk and the relatively small primary limit compared to the overall transaction value. This higher primary rate will commonly be offset by excess layer priced at a comparative discount.

While recent claims activity may signal an end to further rate reductions, we expect competition among insurers to continue, maintaining the current insured-friendly low-rate environment throughout 2025.

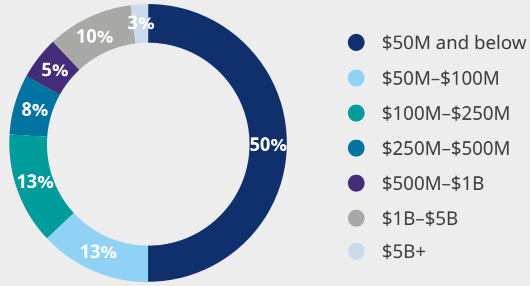
Consistent use of insurance across sectors and deal sizes

The average deal value for Marsh-supported transactions increased significantly, rising from US$428 million in 2023 to US$627 million in 2024. However, the median deal value dropped from US$352 million to US$57 million. This indicates a mix of very high value transactions alongside a large number of smaller deals. In fact, the proportion of deals valued below US$100 million grew from 39.9% in 2023 to 63% in 2024 (see Figure 34).

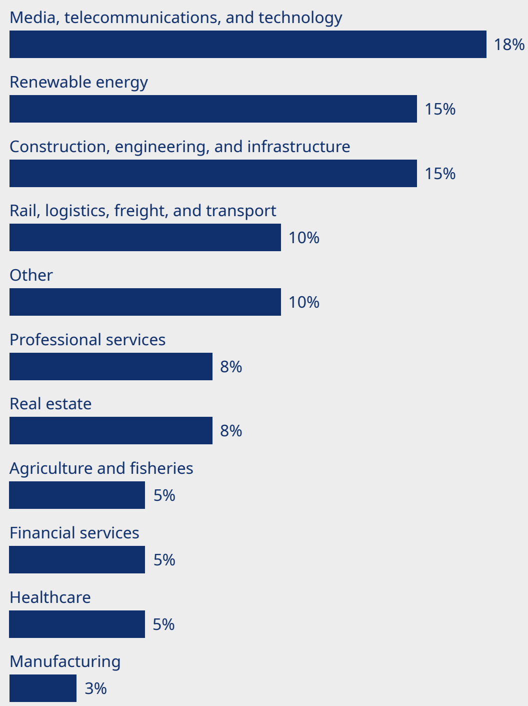
This demonstrates that transactional risk insurance is being used across all deal sizes, reflecting the broad applicability and perceived value of the product in the diverse deal environment in the Pacific.

Our team placed coverage for deals across multiple sectors. Technology deals topped the charts, accounting for 18% of all Marsh-supported transactions, up from just 3.3% in 2023 (see Figure 35). This shift aligns with industry expectations of increased M&A activity in the technology space. Renewables and infrastructure, particularly digital infrastructure, were two other sectors that saw higher deal volumes in 2024.

34| Deal portfolio by enterprise value tranche (US$)



35| Pacific transactional risk — deal activity by industry (%)



Limits purchased

The average limit of liability purchased as a percentage of enterprise value was 59%, compared to 40% in 2023. For transactions valued at less than US$50 million, the average limits purchased were 82% of enterprise value while average limits for deals exceeding US$1 billion were just over 10% (see Figure 36). This sliding scale tends to illustrate the interplay between cost, need for coverage, and risk tolerance across different deal sizes.

Impact on process

Insurers continued to closely examine their underwriting processes in 2024, introducing new methods to streamline operations and deliver efficiencies. Heightened competition in the market has benefitted insureds not only through better pricing, but also through improved processes, with insurers tending to reduce the number of written underwriting questions and foregoing underwriting calls.

These adjustments resulted in notable improvements in underwriting turnaround times, with timetables of between five to seven days becoming more common, down from the previous seven to 10 days. Some insurers are willing to underwrite certain deals even more quickly.

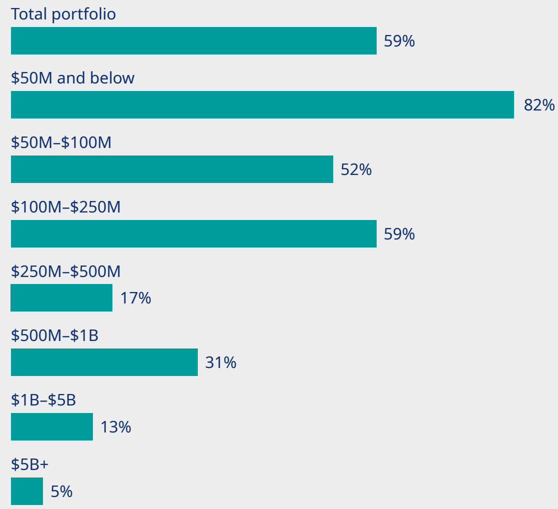
Warranty solutions and structuring flexibility

In 2024 there was a notable increase in awareness and demand for synthetic W&I insurance in which warranties are exclusively provided within the W&I policy, rather than by the seller(s) and/or target in the relevant sale agreement. This form of coverage has gained traction in both private M&A transactions and public-to-private deals, primarily to strengthen existing warranty packages and/or to replicate warranties at various stages of the transaction. For instance, warranties may be included in the sale agreement at signing and then repeated synthetically at completion through the W&I policy mechanics.

This form of W&I insurance can serve as an effective mechanism for safeguarding buyers in transactions where certain warranty protections otherwise may be lacking. Adoption of this form of W&I coverage has historically been slow in the Pacific region, although the growing awareness of this coverage indicates a trend toward increasing usage.

Increased competition among W&I insurers has also broadened the application and use of W&I insurance in more complex transaction structures. Insurers have shown a greater appetite for deals with significant seller-rollover percentages. In 2024, the Marsh team successfully procured coverage for 100% of loss on deals featuring up to a 50% roll-over percentage. We have also structured a number of symmetrical, dual-sided W&I programs to support both sides of a merger. The increased appetite for these more complex deal structures opens up the use of W&I insurance increasingly as a deal facilitator and as a useful risk management tool for a broader range of transactions.

36| Pacific limits purchased as percentage of EV (US$)



Tax insurance

The tax insurance market in the Pacific region continued to develop in 2024, with high levels of interest from deal parties, advisors, and corporate groups. Rates have come down to historically low levels over the last couple of years, with premium rates commonly between 2% and 4%. Insurers have a strong appetite for a variety of tax exposures, including risks that have been historically challenging to insure, such as tax positions that are heavily dependent on factual circumstances, such as loss utilization rules, valuation, and transfer pricing.

We expect demand for tax insurance to grow steadily in the coming years, especially as advisors continue to advocate for its use as a commercial solution that can complement their tax advice on a particular issue. With deal parties seeking ways to increase transaction certainty and reduce liability allocation between buyers and sellers, tax insurance has emerged as an important means of alternative risk transfer.

Claims

In 2024, we observed a 50% increase in claims notifications compared to 2023. Breaches of accounts warranties accounted for half of the claims reported, highlighting that misstatement of accounts continues to be a major concern in transactions. Losses related to tax warranties and contract warranties also remain among the most commonly notified.

The surge in notifications indicates several important trends. Firstly, it suggests a growing awareness and confidence in the product as an effective risk management tool for M&A transactions. Secondly, it may indicate heightened vigilance among insureds in identifying and addressing warranty breaches. Lastly, clustering of claims suggests potentially systemic issues within certain target businesses.

Pacific outlook for 2025

We anticipate M&A activity will continue building on the momentum gained in the second half of 2024, ultimately leading to a strong year for dealmaking in the region. Private equity, in particular, has abundant available capital for investment and there is increasing pressure among investors to deploy available cash effectively.

While the pricing gap between buyers and sellers persisted through much of 2024, there are signs that more deal parties are willing to compromise. Several successful large sale processes took place in 2024, and we expect this trend will continue, especially given the number of aging assets that are ripe for divestment.

We envisage a high level of activity in the technology and infrastructure (including renewables) sectors as the year progresses.

Finally, we expect that transactional risk insurance will continue to play a major role in advancing negotiations and facilitating transactions in 2025. W&I and tax insurers appear well-positioned to meet this demand.

Global outlook for 2025

Given the observed increased interest in transactional risk insurance and M&A activity in 2024, we expect the global M&A landscape to experience robust growth in 2025. This activity is expected to be further bolstered by a favorable financing environment, as central banks may continue to lower interest rates, providing greater access to capital.

Additionally, private equity firms are expected to remain active, with high levels of undeployed capital.

Transactional risk insurance will likely remain a key component of M&A transactions across the globe, with insurers expanding their underwriting appetite to meet clients' evolving demands. The competitive landscape among insurers is expected to persist, maintaining favorable and innovative coverage options for buyers.

However, there is potential for the market dynamics to shift if M&A activity accelerates more rapidly than anticipated. This could lead to a tightening of underwriting conditions in the latter half of the year.

Despite this, we expect that the transactional risk insurance market will provide favorable conditions for buyers throughout most of 2025, remaining a key tool for dealmakers navigating the complexities of M&A transactions.

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Private Equity Mergers & Acquisitions (PEMA) at Marsh

In today's competitive business landscape, private equity firms, alternative asset managers, and corporations constantly seek growth opportunities and value creation through acquisitions, mergers, and divestitures. While these transactions hold immense potential for value creation, they also come with significant risks and complexities for buyers and sellers.

Marsh's PEMA Practice has been helping private equity firms and corporations navigate these challenges for more than 25 years. Our team of specialists has the industry knowledge and experience to provide strategic insights and risk management solutions across the entire investment lifecycle — from due diligence and transaction structuring to integration, portfolio management, and post-deal risk mitigation.

Our expertise

As a trusted risk advisor, Marsh's PEMA team delivers customized solutions to help clients mitigate risks, protect value, and maximize returns. Our offerings include:

- Transaction support. We assist buyers, sellers, and lenders with due diligence, valuation, deal structuring, financial modeling, and transaction execution, helping them make informed investment decisions.
- Transactional risk management. We offer tailored insurance solutions — including representations and warranties, tax liability, and contingent risk coverage — to help safeguard deals and enhance returns.
- Portfolio management. Our PEMA Portfolio Platform helps private equity sponsors and their portfolio companies optimize risk management, centralize insurance programs, and drive operational efficiency.

Through our global reach and deep industry expertise, Marsh's PEMA team empowers private equity firms and corporations to navigate the complexities of mergers, acquisitions, and divestitures with confidence.

About Marsh

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