

GLOBAL M&A INSURANCE

2022 Review and 2023 Outlook
January 2023



Gallagher
SPECIALTY

ABOUT GALLAGHER



Founded by Arthur Gallagher in Chicago in 1927, Gallagher (NYSE: AJG) has grown to become one of the largest insurance brokerage, risk management, and human capital consultant companies in the world. With significant reach internationally, the group employs over 39,000 people and its global network provides services in more than 130 countries.

Gallagher’s Specialty division offers specialist insurance and risk management services. We provide bespoke policy wordings, programme design and risk placement solutions, and consulting support across a range of specialisms. We manage complex, large, global risks on a direct and wholesale basis and serve as primary access point to Lloyd’s of London, London company markets, and international insurance markets.

London Specialty’s Transactional Risks Team offer the full suite of M&A insurance products, including W&I, R&W, Tax Liability, Contingent Risk, Intellectual Property and Legal Indemnities cover. We can also provide Insurance Due Diligence services for both buyer and sellers.

We help businesses go beyond their goals.

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EXECUTIVE SUMMARY

2022 has been turbulent for the wider M&A industry, despite a record-breaking year for M&A insurance in 2021. Whilst the global pandemic started to fade at the beginning of the year, other political and economic events have forced deal-makers to re-assess some investments.

This has led to a slight reduction in the number of Warranty & Indemnity (W&I) / Representations & Warranties (R&W) policies taken out this year, although the use of the M&A insurance products (including tax and contingent risk policies) continues to rise on a 'portion of deals done' basis.

The economic and political landscape has varied across different jurisdictions, meaning contradictory M&A trends have been reported when it comes to each territory. That said, what is consistent is the scale at which W&I insurance expertise is spreading across the world. Given the boom in the use of M&A insurance in 2021, most insurers have expanded into new territories and added significant headcount. Hardening rates at the end of 2021 and a healthy economic outlook gave underwriting teams the incentive they needed to launch into different areas. Almost all insurers have now invested in specific tax capabilities, which reflects a marked difference to the very few tax insurance options available some years ago. A handful of insurers have now also recruited ex-litigators and Intellectual Property (IP) specialists to differentiate themselves and expand their contingent and IP risk offerings, as both products continue to grow at pace.

However, the invasion of Ukraine and the surprising fluctuations in most currencies has led to macroeconomic uncertainty; perhaps the most significant barrier to deal execution. The cost of imports has impacted the value of certain targets in various jurisdictions and some global transactions have stalled pending an uptick in currency strength or a decrease in interest rates. By the beginning of Q4, the Wall Street Journal advised that global M&A activity was down 37% on 2021 year to date. Even tech deals, which were rife during 2020-2021 began to dry up by the end of 2022.

Insurers have therefore had to compete for more deals than they had to in 2021. Premiums have dropped slightly and coverage has widened again, given the expanding expertise and race to win business.

That said, and as we have seen before, opportunities for M&A (and therefore M&A insurance) have risen and will continue to rise even during a downturn. If we take the UK as an example, the current economic situation has resulted in attractive deals for US investors, due to the decreased value of the pound against the dollar. The number of inbound deals from US private equity funds increased markedly towards the end of 2022, which in turn has given insurers opportunities to roll out 'hybrid' US-UK style policies (whereby US style disclosure and policy metrics can be synthetically included into the W&I policy, even where the underlying transaction reflects UK/ European mechanisms).

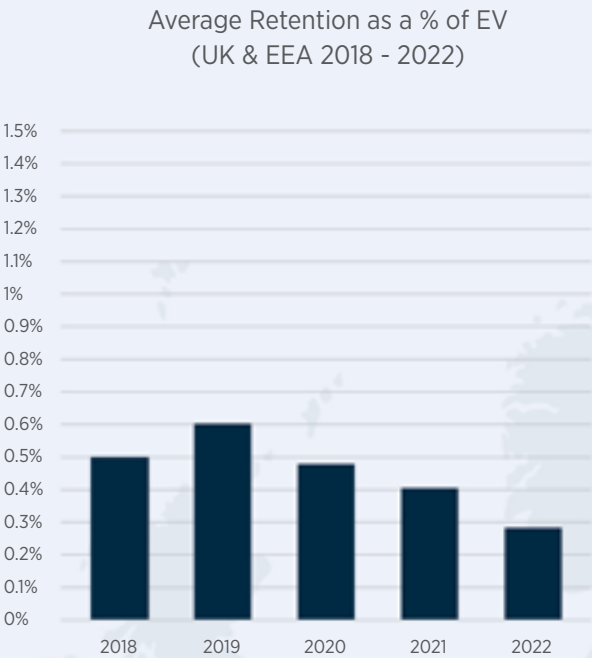
M&A claims have been widespread in 2022. Almost all areas that are warranted have now been claimed against and it is now more critical than ever for clients to understand the claims experience and expertise that each insurer has in-house. Since so many clients now have an understanding of the claims process, specific strategies are now being formalised when it comes to insurer selection.

It has been an interesting year. The very high premiums charged at the end of 2021 proved to be short-lived as the number of deals began to slowly decrease throughout 2022. Insurers have kept agile and commercial, whilst also appreciating that they need to differentiate themselves into new areas in order to stay on top of trends and cater to client needs.

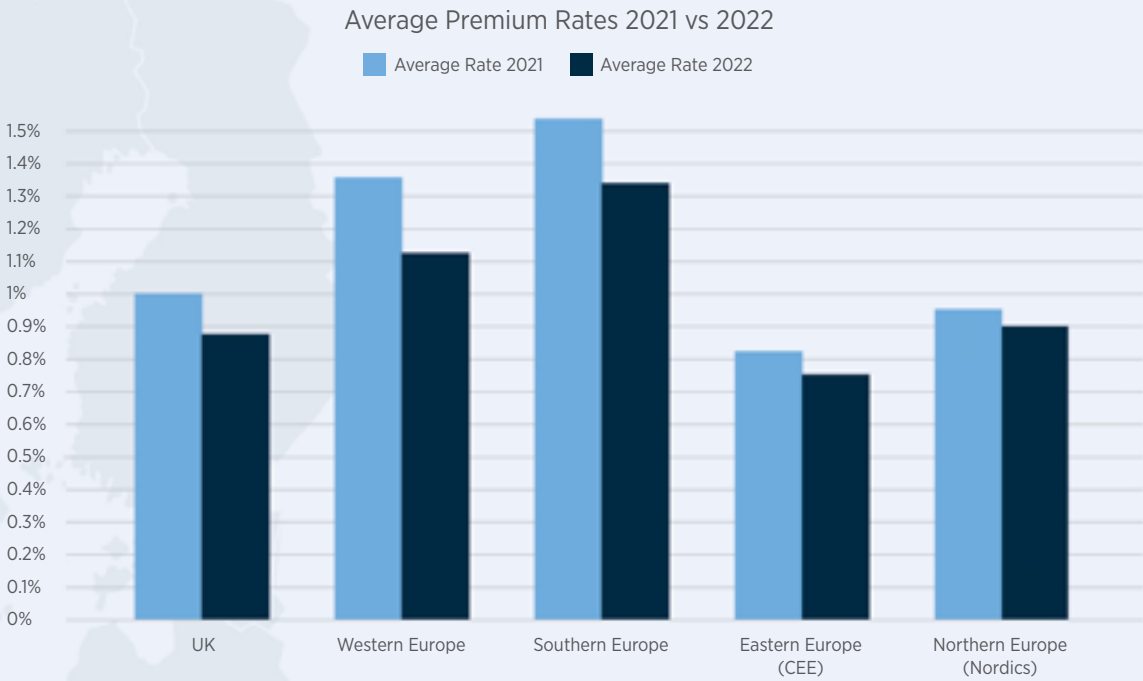
Given the boom in the use of M&A insurance in 2021, most insurers have expanded into new territories and added significant headcount.



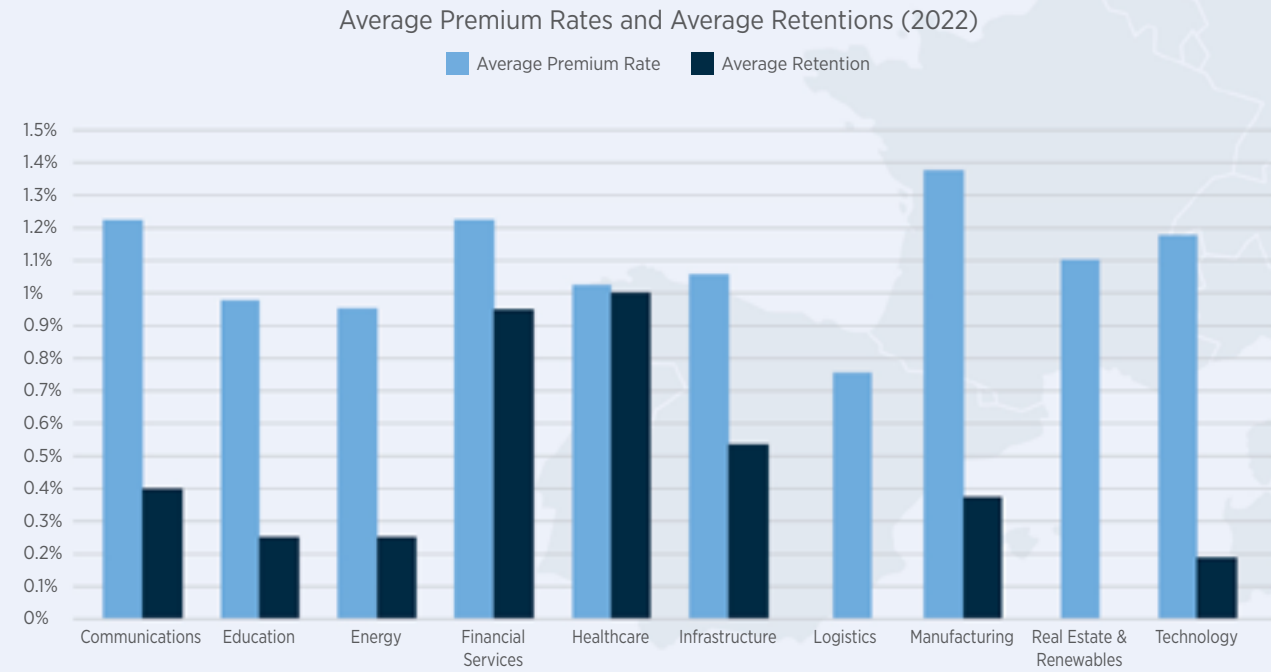
UK & EEA



SPECIFIC JURISDICTIONS



SPECIFIC SECTORS



The European M&A landscape has been fragile in recent months. Whilst another bumper year was expected following the unprecedented uptick at the end of 2021, the outbreak of the Ukrainian war in late February started to slow things down.

Having expanded their servicing teams in early 2022 to make up for the lack of capacity to underwrite a few months earlier, insurers were eager to differentiate themselves towards the middle of 2022. The downturn in M&A activity caused by the fluctuating economy also led to an increase in competition to win business, which in turn has been reflected in the terms being offered.

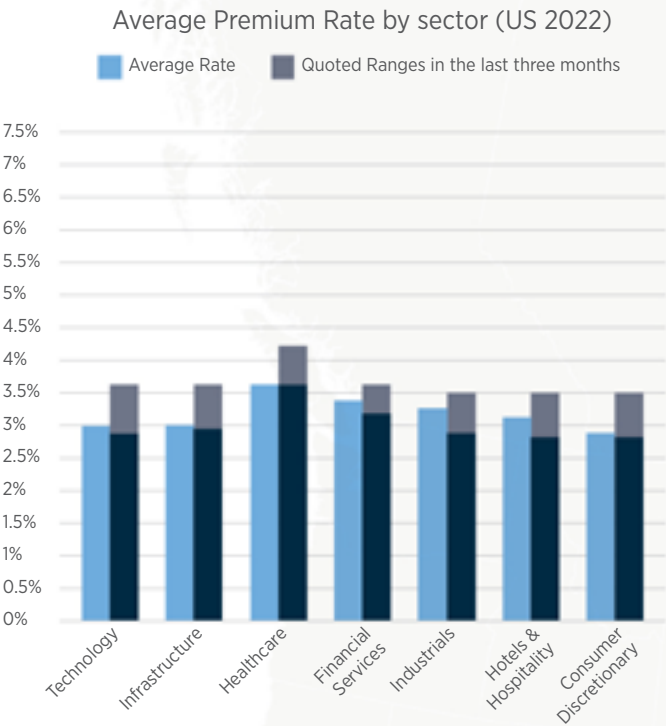
Premium rates have broadly remained consistent with 2021, although there have been signs that these have started to drop off again. What has become clearer is that rates are unlikely to drop substantially in the near future given the surge in claims. However, it is very difficult to see rates increase either given the increasing competition and future economic outlook.

Retention rates continue to drop. It is now no longer unusual for insurers to offer 'tipping to nil' retention options for operating businesses, which represents a considerable enhancement to the previous 'fixed retention' norm. Nil retention options remain standard for real estate and renewables deals.

Almost all jurisdictions in Europe have become insurable, with the exception of Ukraine, Russia and Belarus. Insurers continue to differentiate themselves (or match their competitors) by opening up in new territories, with W&I in Southern Europe growing at a fast pace.

Germany and the Nordics continue to be market leaders in the use of M&A insurance, however Poland, Italy, Spain, Portugal, France and the Benelux region are catching up. Language capabilities continue to be of paramount importance, with most insurers now being equipped to deal with transaction documents written in a number of languages.

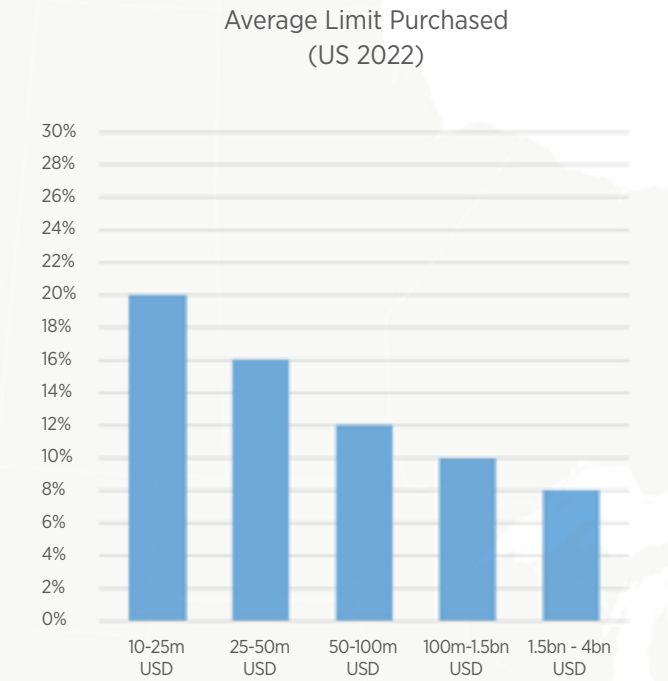
USA



Despite its widespread use, Representations & Warranties insurance (R&W) continues to see significant variations in pricing, coverage and availability. Gallagher’s Private Equity and M&A team use a database of quoted R&W policies to stay ahead of fluctuating premium rate and retention changes. Coupled with our industry focused due diligence practice, we are able to deliver good results for our clients that use Gallagher for their R&W, Insurance and Cyber Due Diligence.

In the US, we recommend R&W for targets with an enterprise value (EV) of USD10m to USD10bn+. In 2022, transactions below USD50m represented close to 50% of R&W policies placed by Gallagher, while we worked on an average deal size of nearly USD350m. Compared to 2021, whilst deal volume was slightly up, our average deal size was USD150m.

A record setting year, 2021 saw over 60,000 deals announced, a 24% increase on the prior year, while one R&W insurer received 9,000 requests for R&W policies, an increase of 60%. Compare this with the second half of 2022, R&W submissions were down by half across the market. The tailwind provided by a glut of 2021 deals signing and closing in 2022 was over by March and we saw R&W rates start to decrease around April, breaching 3% in November.



By Q3 of 2022 it was apparent that Private Equity (PE) deal flow was experiencing a downturn, due to margin headwinds and dropping valuations. This did not deter corporate buyers, who made up 40% of our deal flow in the final three months of the year, with a deal range of USD20m to USD1.5bn.

2021 is recognized as an anomaly, and as predicted by our 2022 Report, the market has returned to 2019 deal volume, and rates are just beginning to average out at a familiar 3-3.5% level. From our discussions with investment banks and PE funds, 2022 M&A deal volume could end up below what we had been expecting, with R&W volume sustained by growth in the use of the product relative to total deals done.

Despite the downturn in deal numbers, Gallagher managed to sustain volume throughout the year, with a strong Q4 bringing our total just short of 2021. By the end of 2022 we surpassed the number of different clients with whom we worked, compared with 2021 (which was dominated by Private Equity buyers closing multiple deals in the year).

This is owed to our Transactional team’s growth within the Private Equity market and across our corporate client network, including public and privately held corporates.

Of the total corporate deals we worked on in 2022, the majority coordinated the R&W placement between their legal, corporate development and risk management teams; a sign that R&W is being controlled ‘in house’ rather than delegated to attorneys. About a quarter of the corporate deal teams we worked with had not used R&W in the recent past, indicating that more corporates are deploying R&W as part of their overall risk management strategy.

In 2022, 75% of our deal volume came from Private Equity new platform and add-on transactions, with 80% of our PE clients using Gallagher for their insurance due diligence and portfolio company risk management. In most cases we have saved our clients hundreds of thousands of dollars across their R&W and Property & Casualty spend when integrating new businesses.

The biggest discussion topic of 2022 was claims. When we sit down with our clients to compare R&W terms, we spend the longest amount of time discussing our claims experience with certain underwriters. In 2022 we negotiated over USD30m of claims payouts with all our clients returning to the same insurer having agreed an acceptable outcome. Claims centered on financial statements; material contracts; status/performance of assets; tax and third party claims.

While we saw rates tumble by up to 50% across all industries, some industries (such as healthcare) maintained rate at least 20% above average. This is an indication of the market returning to pricing based on existing and anticipated claims exposure, rather than pure supply and demand, which drove rates up at the end of 2021.

Retentions also decreased by 10-20% in 2022. Competing insurers were offering retentions of 0.9% dropping to 0.45% for favorable industries and deals over USD100m. Above USD200m some insurers were willing to offer an initial retention of 0.75-0.85% dropping to 0.45%; and for infrastructure deals over USD500m we saw retentions as low as 0.5% of EV, flat. Testing and aligning retentions before selecting an insurer can potentially offer six figures of additional coverage.

The maximum capacity for one deal increased, with 26 markets offering around USD1.2bn of capacity, in theory (although the risk of conflicting capacity increases beyond this threshold). Five new MGAs entered the market over the past 18 months, focusing on previously underserved areas of the market. A new healthcare specialist market is a welcome addition, along with other markets willing to offer minimum premiums below USD100k for SME and small portfolio deals.

Insurers have maintained their primary line size of USD25m - USD30m, as such, for the deals over USD2bn, almost half of the R&W market is likely to be utilized.

Average premium rate
3.2%

Average initial retention
0.9%  **0.5%**



CANADA

The Canadian R&W market continues to gain momentum with an increased percentage of corporate deals utilising the product. Meanwhile, sponsor backed transactions continue to use R&W in central Canada (Ontario and Quebec) while utilisation is steadily increasing in Western Canada.

Capacity remains readily available with no major retraction by insurers over the course of 2022. Insurers continued to increase bandwidth throughout the year, which resulted in a decline in overall rating as outlined below. Rating decreased from an average of 4.67% in Q1 to 3.3% in Q4.

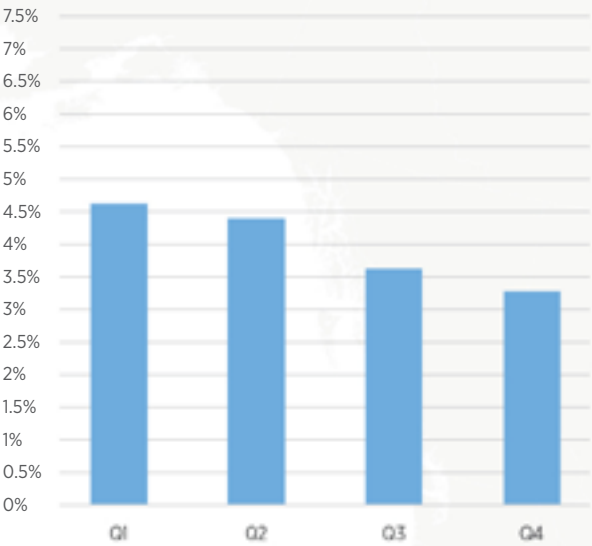
Limit requirements have remained relatively stable throughout 2022, however, we have seen a slight increase in limit as a % of EV throughout the year as rates have declined. We have also seen an increase in the number of transactions where additional Fundamentals coverage has been purchased, with an average cost of 0.9% to 1.0% of limit purchased.

Retention has also stayed stable with average initial retentions of 1% (of EV) on sub USD150mm deals throughout the year. On larger transactions (over USD150mm) retentions have averaged between 0.70%-0.85% of EV as outlined below.

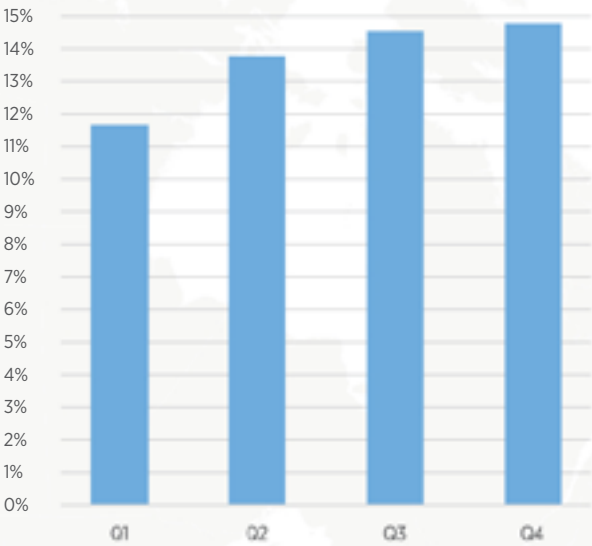
Gallagher has seen a material increase in both Tax submissions and policies bound. Gallagher saw a 400% increase in the number of Tax insurance engagements within Canada from 2021 to 2022. The Tax market continues to be similarly robust both within North America and in the UK. Rating greatly varies between 2%-10% depending on the nature of the risk. Throughout 2022 Gallagher worked on numerous placements involving:

- PE Fund Close Out Transactions
- Stakeholder Capital Gains Risk
- TCP Classification
- Dividend Withholdings
- Application of NCL's Post Transaction.

Average Premium Rate as a % of Limit
(Canada 2022)



Average % of EV taken as a Limit
throughout 2022



「Gallagher saw a 400% increase in the number of Tax insurance engagements within Canada from 2021 to 2022.」

ASIA-PACIFIC

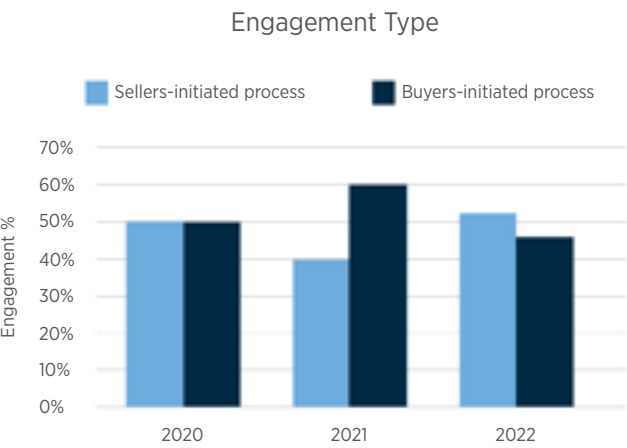
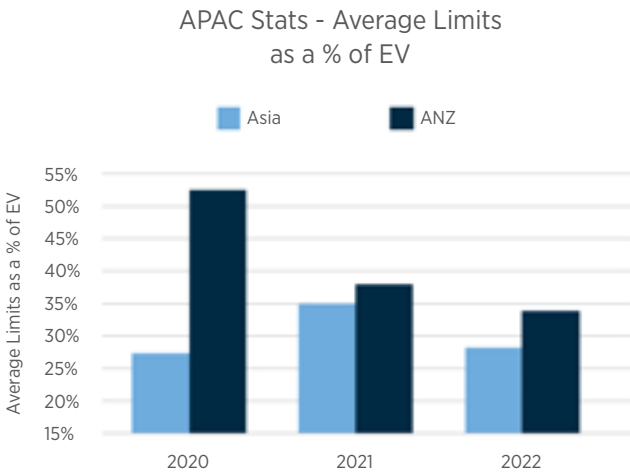
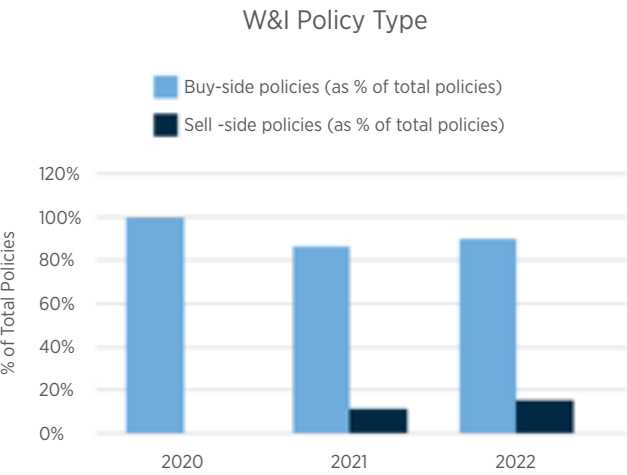
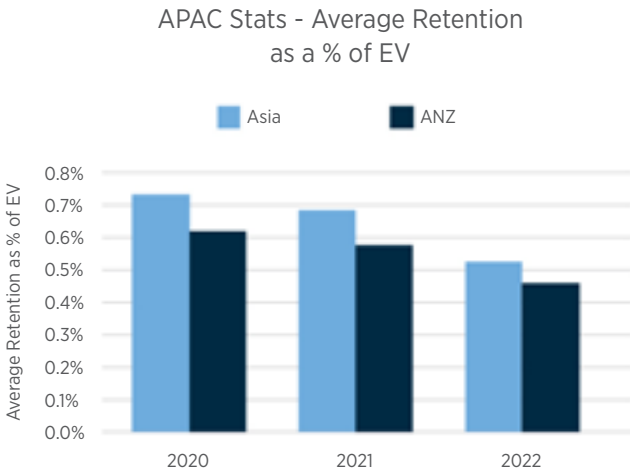
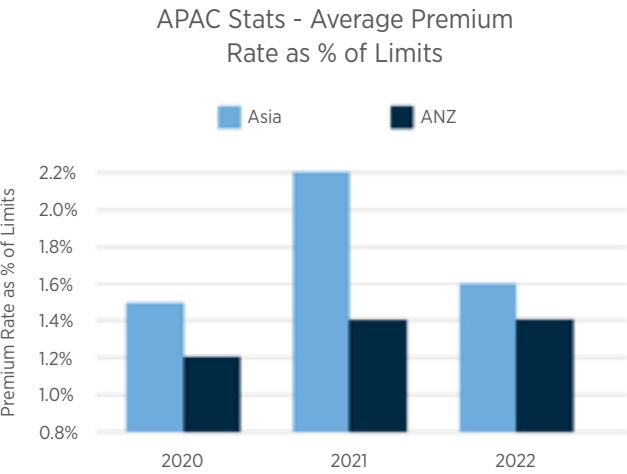
Following a record-breaking level of M&A deal activity in 2021, we observed M&A markets in the Asia-Pacific region entering a period of reset in 2022, particularly in the second half of the year. Against the backdrop of substantially reduced M&A deal volumes across Asian jurisdictions and in Australia and New Zealand, total limits of liability placed by Gallagher saw modest but statistically significant decline, albeit from a high in 2021 on a year-on-year basis. Specifically, we have the following observations:

- Rate on Line down across the countries of Asia-Pacific region: following ‘surge pricing’ during the flood of deal activities in Q4’21, average premium or Rate on Line (premium as percentage of W&I insurance amount) has reduced to 1.7% and 1.3% in Asia and in ANZ region respectively in 2022 as a result of reduced submission volumes and new market entrants bringing greater competition among W&I insurers.
- Retentions remained stable at c. 0.5%: In Asia-Pacific region, the average retention is continuously decreasing over the past years reflecting insured’s increased appetite for enhanced retention options. The average retention amount in Australia and New Zealand dropped to 0.46% of deal value in 2022 from 0.57% of transaction value in 2021, which takes into account lower or nil retention offered on real estate transactions. Similarly, the average retention across Asia jurisdictions were just above 0.5% of deal value.
- Greater insurance capacity in Asia-Pacific region: W&I insurance capacity continued to expand in 2022 in Asia-Pacific region with more major insurance companies and managing general agents offering primary terms for Asian, Australian and New Zealand risks. Depending on deal parameters and risk profile of target companies, Gallagher anticipates an overall insurance capacity of over USD800m to be available for a single transaction.

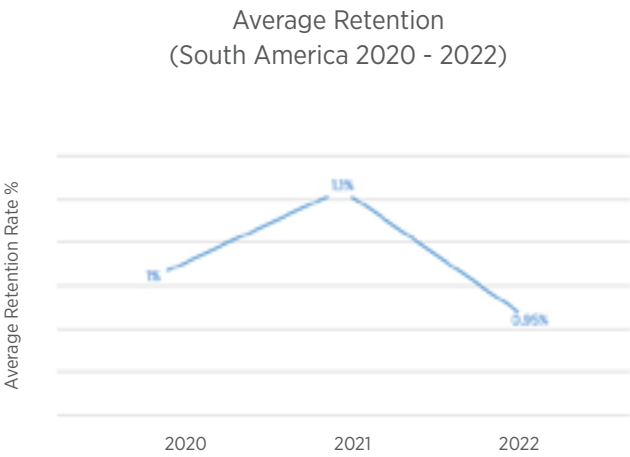
- Claims notifications hitting all time high: The number of claim notifications received in 2022 remained growing primarily driven by increased policy count. Based on the claims notifications received, we observe many of those notifications are precautionary in nature and have showed high degree of commonality in terms of subject matters of the claims with tax, accounts, material contracts and employment-related warranties being most frequent breach types.
- Usage of W&I policy across almost all sectors: W&I insurance has proven to be sector-agnostic with most of W&I insurance policies being placed in Asia-Pacific region for target companies operating in real estate, technology, renewable energy, transportation and logistics sector in 2022.

Despite temporary headwinds facing M&A deal-makers in 2022, we believe the cooling of the M&A market should be short lived since deal teams have naturally adjusted to the increasing market volatility, high inflation and increased cost of capital environment. We anticipate that the confidence in deal-making activities will be restored in 2023 as major central banks start to normalise the quantitative tightening policy and stop rising interest rates, which will ultimately pave the way for a more supportive M&A deal environment.

For W&I insurance users, we expect that the premium level will continue to decline in the short-to-medium term, in light of the temporary slow-down of M&A deal activity and increased number of W&I markets dedicated for Asia-Pacific risks. However, with an elevated number of claim notifications and a broader adoption of W&I insurance across different industries, sectors and transaction sizes, the persistent trend of W&I insurance becoming a common deal tool for both private and public M&A transactions is expected to continue in 2023.

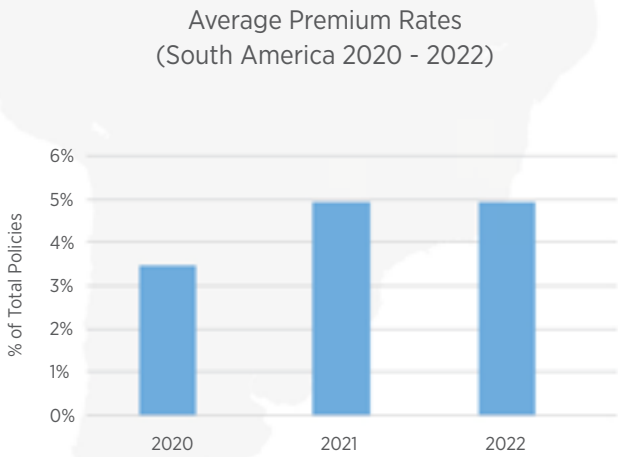


SOUTH AMERICA



W&I/R&W insurance has continued to increase in popularity in South America, with placements occurring both via US and UK based insurers. Local knowledge, expertise and language skills have allowed insurers to take more of a pragmatic approach to underwriting South American transactions, in an ever broadening range of sectors (including agriculture, energy, mining, technology and telecommunications). Insurers are becoming more flexible when it comes to accommodating South American transaction processes, e.g. following the parties' preferred governing law of the SPA (rather than, for example, insisting that the governing law of the SPA be English or NY/Delaware law), and writing non-English language policies.

Historically there has been a very limited pool of insurers willing to insure South American transactions but this year we have seen 5-10



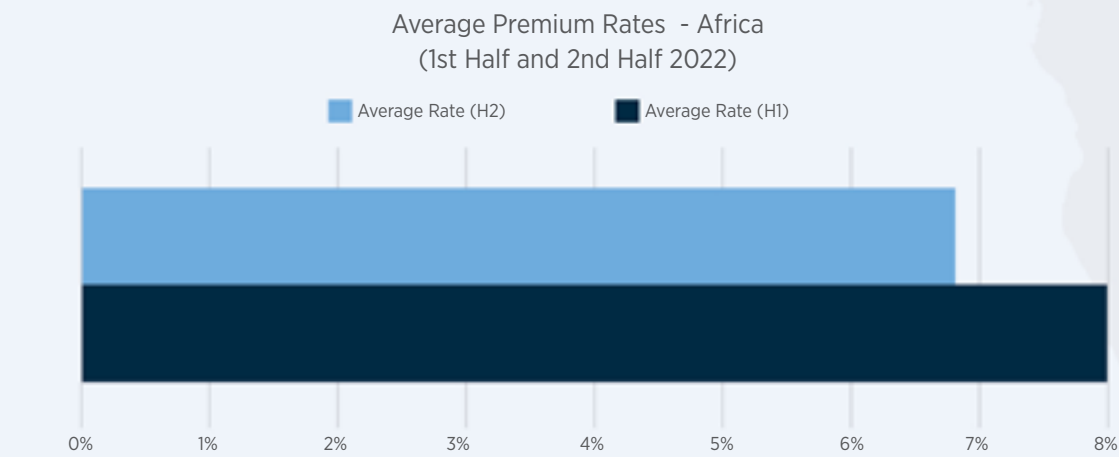
insurers actively competing for underwriting appointments. This increase in competition has driven premiums lower.

Many countries in South America are insurable, although some countries are easier than others. Uruguay, Peru, Mexico and Chile are perhaps the most attractive to insurers (with coverage for litigation and tax matters possible) whereas Paraguay and Venezuela are likely to be out of scope. Brazil and Ecuador are certainly possible to insure but coverage may be restricted (for some sectors).

Premium rates fluctuate per jurisdiction and sector but these are likely to be between 2%-6%. Retention rates remain stable at 1% (and are unlikely to be able 'drop' after 12 months, to match a 'US style' sale agreement).



AFRICA AND THE MIDDLE EAST



Whilst South Africa has been insurable for many years, appetites have finally widened to include other African jurisdictions. In 2022, Gallagher managed to obtain W&I quotations for transactions in Nigeria, Senegal, Mozambique, Mali, Ghana, Sierra Leone and Burkina Faso.

Rates have begun to fall and competition has started to rise. Whilst there is still only a handful of markets that have the expertise to underwrite a primary layer in Africa, the number of markets who are capable of underwriting excess in these jurisdictions is approaching ten. We have seen up to USD250m of W&I capacity available for one deal in Africa (and up to USD180m available for a deal with no operations in South Africa).

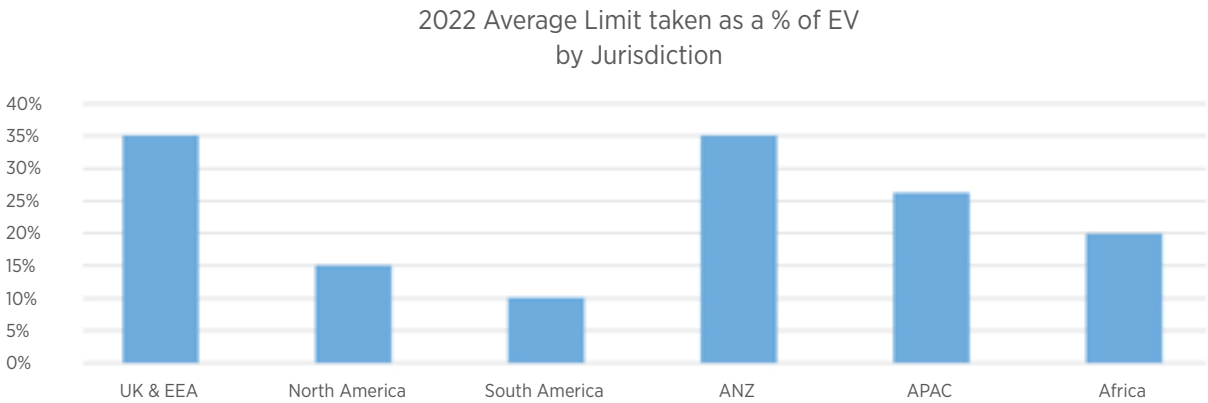
Excess levels are higher than most other territories, although these are already starting to decrease. For the larger oil and gas

transactions, we might see excess levels between 0.5% - 1% of EV, but for mining deals (or mining services) we might see excess levels as high as 2% of EV.

An important consideration for African transactions involving multiple bidders, is that it is often difficult to run parallel underwriting processes (i.e. one for each bidder; 'multiple trees'). However, as more transactions are completed and the local expertise of the product widens, it is probable that trees will be possible in the future.

Deals in the Middle East (and North Africa) are slightly easier to insure than Sub-Saharan Africa. We would expect premiums in the range of 3% - 5% with a similar number of insurers competing, perhaps even slightly more in the UAE.

SUMMARY



ESG

One emerging element in W&I insurance, arriving from the broader global focus, is the importance of Environmental, Social, Governance (ESG) considerations in a transaction. ESG is driving businesses to re-asses their business models and implement strategies to complement their core business activities. In an M&A context, buyers want to ensure that any business they are acquiring provides due consideration to key ESG principles, and is transparent in their ESG reporting.

ESG Due Diligence reports can be used to review and assess potential ESG risks and opportunities for the target

business. The scope of these reports often broaden and put increased analysis on specific areas that would be captured by traditional due diligence. While there is scope for traditional warranties to cover certain ESG risks (compliance with laws for example), buyers may require specific ESG warranties that relate to compliance with particular ESG guidelines. As a standard principle in W&I insurance, the insurers will expect to see thorough due diligence carried out on all areas warranted in order to consider coverage.

Some examples of the areas that an ESG report may consider are highlighted below:

Environmental

Energy Management & Resource Efficiency
Community Relations
Biodiversity and ecosystems

Social

Social & Labour Conditions
Diversity, Equity & Inclusion
Data Privacy & Data Security

Governance

Ethics & Compliance
Anti-Bribery & Corruption
Corporate Culture

INSURANCE DUE DILIGENCE

Insurance due diligence (IDD) serves as an invaluable function in the transaction process. It provides an understanding of the Targets’ insurable risks, and enables deal-makers to make informed decisions regarding risk. Transactions are time critical and can often leave deal-makers with unforeseen risks post completion; IDD can support in successfully closing deals, in mitigating portfolio company risk and ultimately in securing investment returns.

The focus of the IDD workstream is to assess the adequacy of the insurance products the Target company procures,

to identify any gaps in coverage and change of control provisions, to critique the costs of the current insurance programme and to recommended any enhancements.

The IDD team will review the sale and purchase agreement provisions to see how they impact risk. The team can subsequently provide actionable advice in relation to deal negotiation, and post completion planning and integration. Importantly, it allows W&I underwriters to carry out the appropriate risk analysis on the Target business, and to take a pragmatic view on policy coverage.

TAX LIABILITY INSURANCE

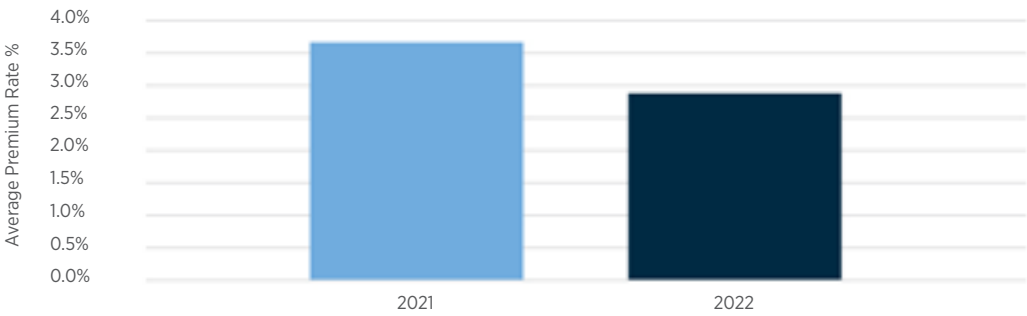
We have received a record number of tax enquiries from clients in 2022, for risks with limits as low as USD1m, and as high as c. USD80m. Insurers have continued to increase the size of their underwriting teams, broaden their appetite and reduce premiums rates in order to stay competitive.

Legal, economic and political developments continue to drive trends. We have observed a noticeable increase in enquiries relating to employment related securities, salaried member rules, capital allowances, capital gains tax, and transactions in securities. The backlog of tax rulings in many jurisdictions

across the globe has increased demand for insurance as an enabler of certainty. We expect to see tax authorities continue to chase tax revenue as government’s budget deficits increase, thereby creating opportunities for tax insurance to evolve.

This year we have successfully placed bespoke tax risks that have been rated as ‘medium’ and ‘high’ risk by our client’s tax advisors. Certain categories of particularly complex risk, for example transfer pricing, are increasingly being covered by underwriters with sufficient expertise to conduct their underwriting in-house.

Tax Insurance: Average Premium Rate as a % of Limit (2021 vs 2022)



CONTINGENT RISK INSURANCE

Contingent Risk Insurance (CRI) has historically been used to address known matters identified in a buyer’s due diligence, that neither buyer nor seller wish to bear, and therefore cause a roadblock in an M&A transaction. A bespoke CRI policy is a way of ring-fencing such a liability (especially if identified early), and a more cost efficient alternative to a purchase price chip, specific indemnity, or escrow arrangement.

Insurable risks often arise in a situation where the parties to a transaction are comfortable with a specific risk on the basis of their external legal advice, but a related party to a corporate finance activity (e.g. an underlying investor or lender) is more conservative in their tolerance for risk. In 2022, especially as macroeconomic conditions have changed drastically, we have seen this dynamic play out in a large number of transactions.

2022 started off slowly for contingent risk insurance, however we saw unprecedented demand for CRI in the second half of the year. In particular, we have seen significant interest in CRI in the following contexts:

- Renewables energy projects – as a tool to ring-fence adverse outcomes in judicial review proceedings, and create certainty when ambiguity is identified in connection with applicable planning permits or access to subsidies.

- Insolvency and restructurings – CRI can help facilitate distributions to creditors and shareholders, if legal and financial advisors identify risks that may otherwise complicate the making of such distributions.
- Regulatory risk – where it is unclear whether a certain regulator may ‘call-in’ (and potentially derail) a proposed merger or acquisition once it is announced.

It remains the case that CRI underwriters focus on the motivation for seeking insurance, just as much as the jurisdiction, risk size and legal arguments at play. The product is well suited for circumstances where taking a certain issue off the table will provide our client with a compelling strategic advantage in effecting a transaction. We expect significant further growth in 2023, as awareness of the product grows, deal-makers and their lenders become more cautious, and competition amongst CRI underwriters increases.



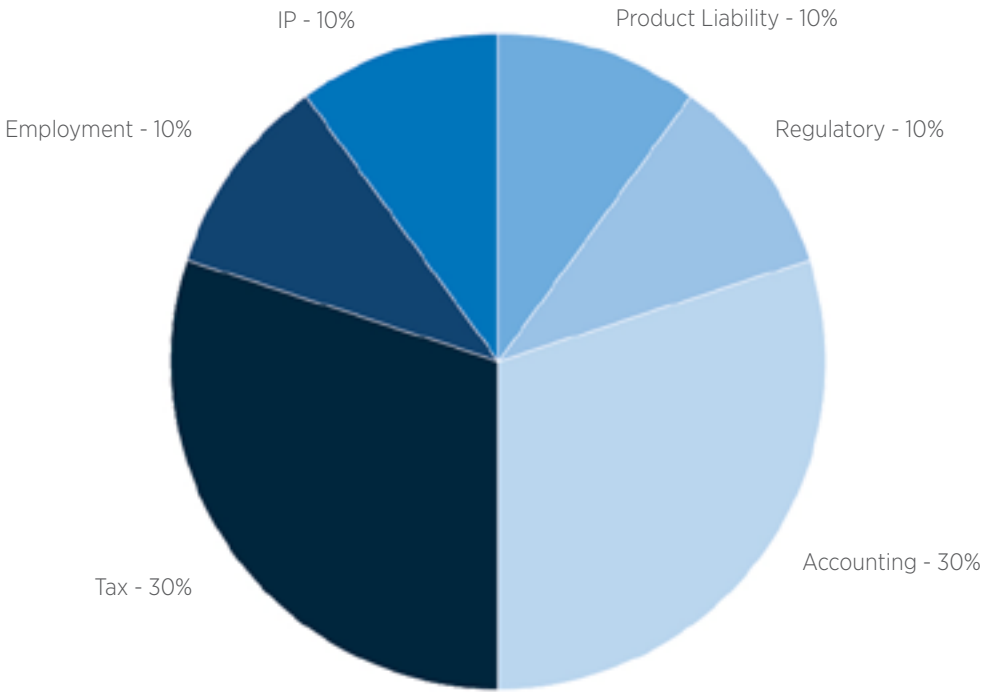
RICHARD SKELTON
M +44 78 0196 7175
E Richard_Skelton@ajg.com

W&I CLAIMS

Notifications have risen in 2022 and Gallagher continues to see valid W&I claims paid out in the tens of millions (USD).

As the product evolves insurers must keep their finger on the pulse; if their claims service is not in keeping with their placement service, clients will not use them again. When deciding on which insurer to use for a specific transaction, the first question often asked is the insurer’s experience in claims handling.

We have had instances where loss has exceeded traditional W&I limits – whilst this has meant that the claims payouts have been quicker, the clients have been underinsured, which is perhaps why we are seeing the average levels of cover increasing.



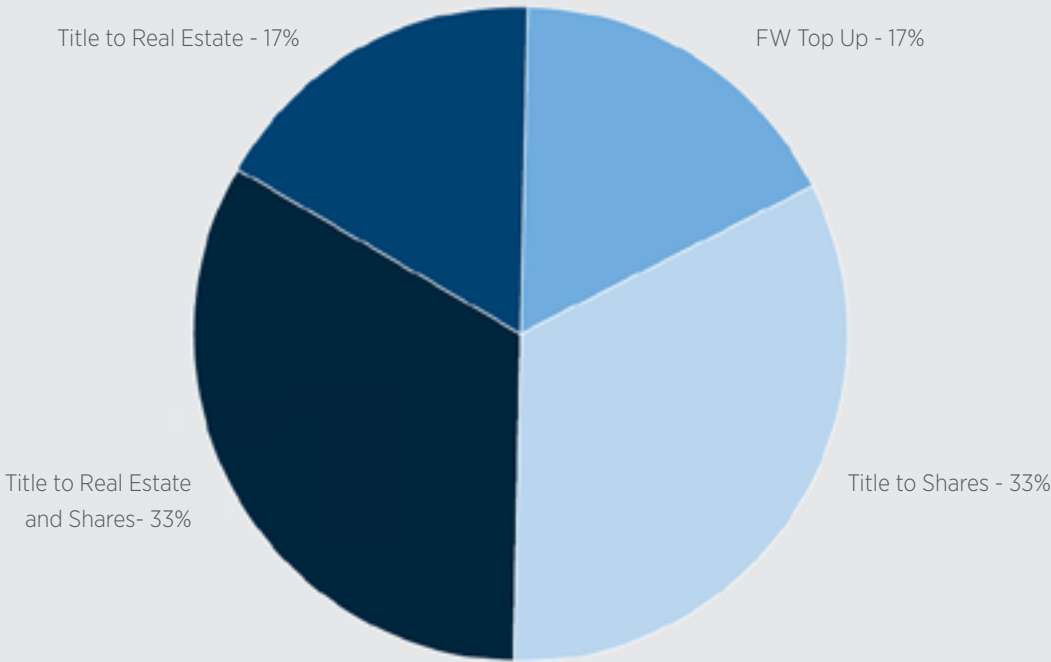
TITLE INSURANCE

The Title to Shares market has taken a hit this year, with a large claim reportedly notified. This has reduced capacity in the market. One insurer who was able to write USD1bn can now only write circa USD340m. This has squeezed the rates up; however, there are new entrants to the market, which is enabling more choice for Insureds.

The Title to Real Estate market has not been affected and there is significant capacity, with two insurers able to provide USD1bn of cover each. The rates are still competitive and though there have been increased claims in the Title insurance market, these are mainly for development led issues.

We have seen increased enquiries for fundamental warranty top up insurance for clients needing to protect against large losses. This has created a new partnership between two insurers, which promises to be a challenger to the existing players, and could prove to enhance the options that are generally provided. It should be noted that not all territories in Europe can be covered by the new partnership.

In Real Estate transactions, the use of Portfolio Title Insurance is increasing, covering known and unknown risks with limited due diligence. This is particularly beneficial when transacting large portfolios and can assist in competitive bid scenarios where there is a time limit.



ANNA BEADSMOORE
M +44 7909 440 663
E Anna_Beadsmoore@ajg.com

INTELLECTUAL PROPERTY

Companies can purchase Intellectual Property (IP) Infringement Liability insurance for a number of reasons, and to cover a number of scenarios. Unlike contingency insurance, IP Infringement insurance covers claims that were unknown at inception, similar to a traditional liability or property insurance. The insurance can cover the legal costs as well as damages or settlement awards in respect of IP infringement allegations.

IP risks can arise out of almost all types of products, services or processes, so most businesses will have a degree of risk. The risk is arguably also less predictable in a world where so much relies on third party components, suppliers, manufacturers and service providers, who by definition remove some of the control of the end product. Naturally, the risk profile of businesses vary, but for many businesses a significant IP dispute can have severe consequences.

The coverage that companies seek will vary but can include for example:

- All activities of a company, due to an understanding that the risk exists and could have a significant impact on the business.

- Contractual obligations to indemnify customers, licensees or other third parties. This is a common reason for purchase, and it is not necessary to have an insurance requirement in the contract. It can still be a good idea to insure an indemnity obligation under a contract.
- Specified products, divisions or technologies. This can be due to an area being new and relatively unknown to the company, or of particular importance to their future business plans.
- Mergers and acquisitions, where additional IP coverage is sought outside of what is provided in a W&I insurance. This can provide insurance for past activities that may be excluded from warranties in an acquisition, or it can cover the future activities of an acquired business as it gets integrated into the new owner. IP insurance can also provide comfort around an asset purchase so is not subject to a specific entity being bought or sold.

Between Gallagher’s M&A, Contingent Risk and IP teams, we can collaborate to find out what is available and most suitable in each scenario.



ERIK ALSEGARD
M +44 7902 112 068
E Erik_Alsegard@ajg.com



CONCLUSION

In most jurisdictions, the beginning of 2023 is forecasted to be slow for M&A activity. The cost of borrowing and an impending global recession are likely to contribute to a stall in M&A activity. A sharp turnaround is not yet on the horizon.

That all said, we must not make the mistake of comparing all deal activity to 2021. The pandemic caused almost all transactions to halt in 2020 and most of these only completed the next year, meaning that 2021 effectively housed two years' worth of deals. As such, we expect activity in 2023 to be more comparable to pre-pandemic years.

Some have more optimism. Investment banks and Private Equity advisors are predicting that M&A will increase next year, particularly in the energy and renewables sector. We may even see more mega deals in industries such as fintech, due to recent drops in valuations.

The M&A insurance sector will continue to evolve and persevere, despite the M&A outlook. The use of W&I, Tax and Contingent Risk insurance is now an integral part of all deal processes and insurers will consistently differentiate themselves by offering new coverage and execution enhancements. What is likely though is a continued competitive tension, which will result in premium reductions.

「The M&A insurance sector will continue to evolve and persevere, despite the M&A outlook.」



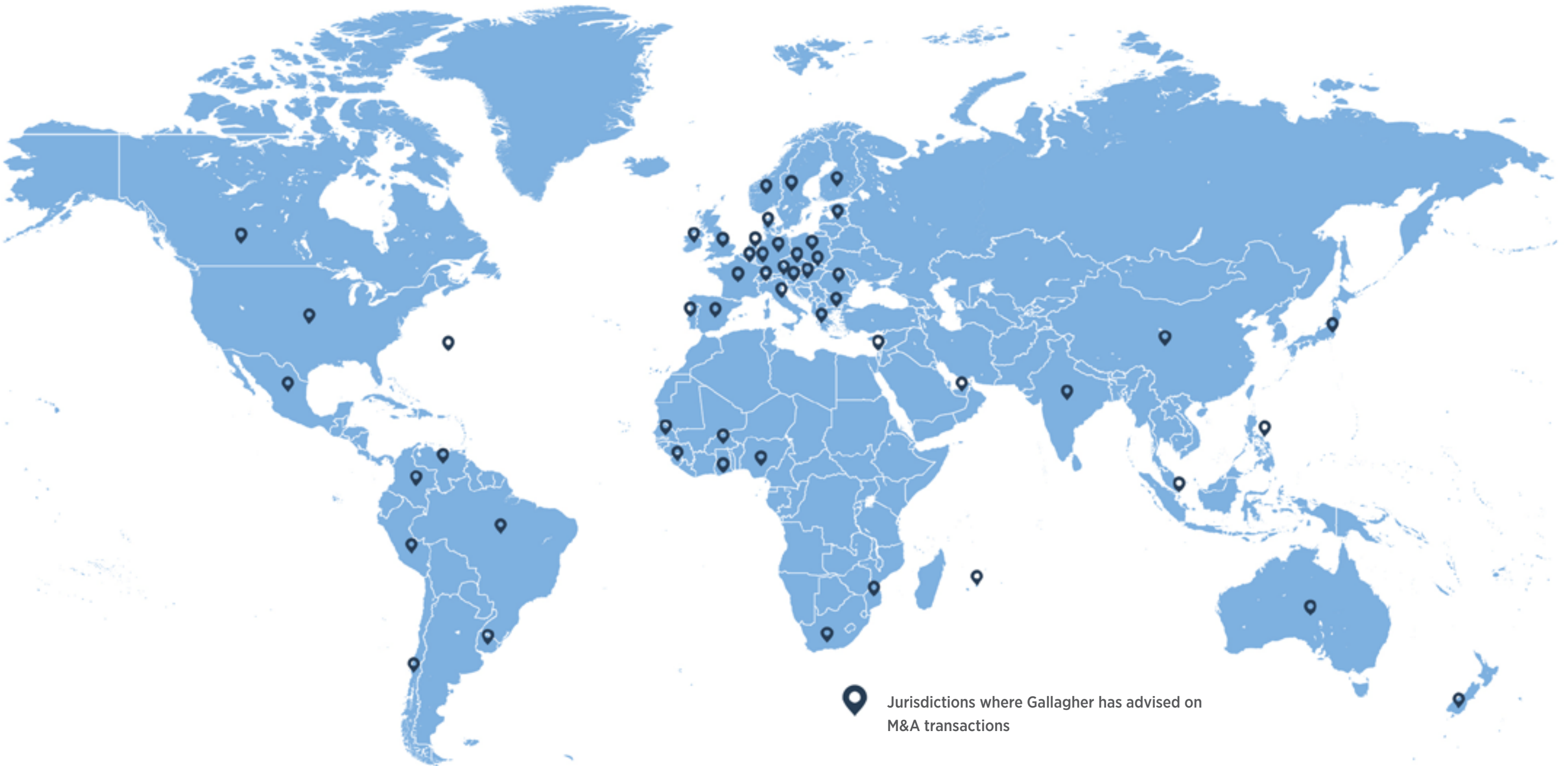
WHY GALLAGHER?

Advised on
1000+
deals in over 40 countries since 2013

Advised on over
USD30bn
of combined deal value in 2022

Our specialists consist of qualified lawyers, brokers and insurance professionals who have a breadth of deal experience spanning a range of sectors and jurisdictions. Gallagher has also negotiated enhanced features of cover with the full W&I market, which are exclusive to Gallagher clients and which set our policy wordings apart. Our specialists will review all the legal, financial and tax reports with underwriters and push for as much coverage to be granted as possible.

As one of the world’s largest insurance brokers, operating globally across a wide-range of classes of business, Gallagher places significant premium into the international insurance market. This means that in the event of a contentious claim, our brokers have considerable leverage and expertise to ensure that valid claims can be resolved in our clients’ best interests.



KEY CONTACTS

UK, EEA and Rest of World

CHARLES RUSSELL M +44 7876 421 382 E Charles_Russell@ajg.com	DARREN TING M +44 7789 941 681 E Darren_Ting@ajg.com	KATIE ANDREWS M +44 7708 483 742 E Katie_Andrews2@ajg.com	TIERNAN MURPHY M +44 7395 881 923 E Tiernan_Murphy@ajg.com
HOLLIE MARKHAM M +44 7849 613 771 E Hollie_Markham@ajg.com	JACK O’FLAHERTY M +44 7849 574 078 E Jack_OFlaherty@ajg.com	ERIK ALSEGARD M +44 7902 112 068 E Erik_Alsegard@ajg.com	TOM MANNERING M +44 7548 770 933 E Tom_Manning@ajg.com
PETE CASCIANI M +44 7771 597 176 E Peter_Casciani@ajg.com	RICHARD SKELTON M +44 78 0196 7175 E Richard_Skelton@ajg.com	IAIN LEWERS M +44 7513 706 934 E Iain_Lewers@ajg.com	ANNA BEADSMOORE M +44 7909 440 663 E Anna_Beadsmoore@ajg.com

Australia

WILLIAM ZHAO M +61 403 229 285 E William.Zhao@ajg.com.au	ANTONY BUTCHER M +61 4 66 93 35 14 E Antony.Butcher@ajg.com.au	DAVID WARDLE M +61 4 18 11 33 52 E David.Wardle@ajg.com.au	ANNEMAREE BARNES M +61 481 907 197 E Annemaree.Barnes@ajg.com.au
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Canada

ANDREW RAMSAY M +1 587 441 2376 E Andrew_Ramsay@ajg.com	JEREMY MATTHIES M +1 403 923 2289 E Jeremy_Matthies@ajg.com	RILEY CROKE M +1 647 258 3222 E Riley_Croke@ajg.com
--	--	--

United States

TJ BRADLEY M +1 914 697 6073 E TJBradley@ajg.com	REED SUSSMAN M +1 617 320 7333 E Reed_Sussman@ajg.com	RICHARD HORNBY M +1 (646) 633-3623 E Richard_Hornby@ajg.com
---	--	--

Sweden

ISAK ÖJELID M +46 722 270 184 E Isak_Ojelid@ajg.com	JONAS BERGFELDT M +46 708 993 177 E Jonas_Bergfeldt@ajg.com
--	--

Singapore

LENG LENG NG M +65 9757 5491 E Lengleng_Ng@ajg.com



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