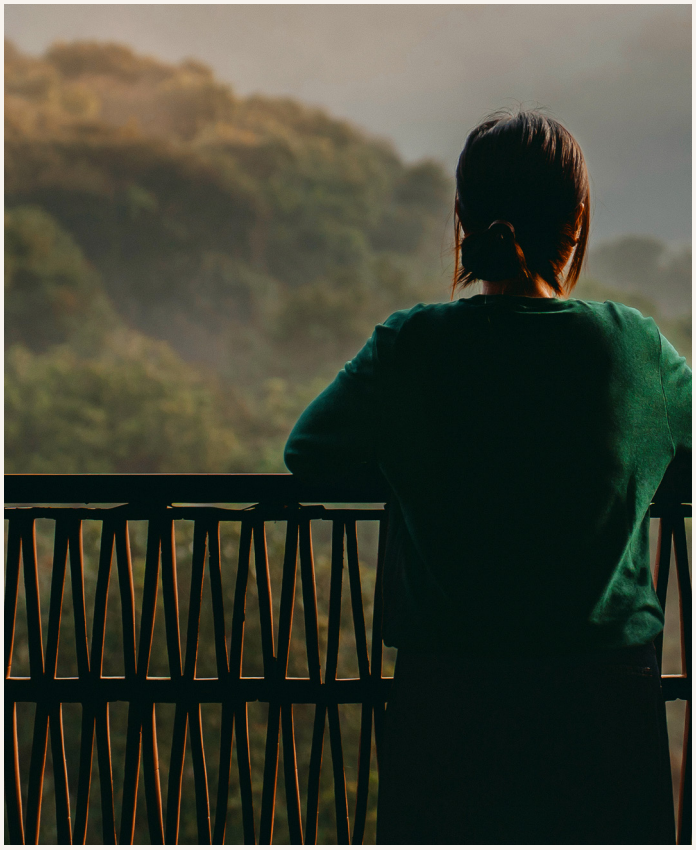
MARSH

Global transactional risk insurance claims report 2026

Contents



Foreword

The transactional risk insurance claims landscape expanded throughout 2025, marked by a continued acceleration in global claims notifications and a notable trend towards earlier reporting following policy inception. As outlined in this year's *Global transactional risk insurance claims report*, breaches of financial statements representations and warranties now account for more than half of paid losses, while a small number of severe claims comprise the majority of dollars paid. In total, insurers paid close to US$650 million, net of retentions, to Marsh clients in 2025, with a relatively small number of large claims driving the majority of aggregate paid amounts.

These dynamics have important implications for due diligence, underwriting processes, claims preparation, and insurer engagement across the transactional risk market.

Our findings are based on a comprehensive review of Marsh's 2025 global transactional risk claims data, focusing on key metrics, including notification volumes, year-on-year payment trends, prevalent breach types across notifications and payments, and the timing of notifications.

Although notifications were recorded under multiple product lines — including standalone tax insurance policies, contingent liability policies, and title policies — the vast majority of claims analyzed for this report (96%) originated from representations and warranties (R&W) policies, known outside North America as warranty and indemnity (W&I) policies.

This report draws on full-year global claims data and reflects notifications made by and payments made to Marsh clients through the end of 2025. It provides a data-driven perspective on how the transactional risk insurance claims landscape is evolving and what that means for market participants navigating an increasingly complex and volatile environment. These insights form the foundation of our guidance to Marsh clients throughout the transaction lifecycle — from placement strategy and insurer selection to coverage design, limits, pricing, and contractual protections.

We hope the data-based insights will provide greater clarity and confidence to help you better navigate an increasingly complex transactional risk landscape.

Craig Schioppo
Global Transactional Risk Leader

Global overview

2025 was a year of rising claim frequency and concentrated severity, with the majority of payouts driven by financial statement breaches.

Transactional risk claims surged in 2025, with notifications increasing sharply. A small number of high-severity claims continued to shape the overall risk landscape, underscoring the value of enhanced diligence and tailored coverage strategies.

At a glance

- **New claim notifications:** Claims notifications increased across most regions, with sharp growth in the UK and Europe.
- **Amount paid:** Insurers paid close to US$650 million, net of retentions, to Marsh clients in 2025. A small number of large claims accounted for the majority of aggregate paid amounts.
- **Timing:** The majority of claim notifications came within 18 months of policy inception.
- **Breach type:** Breaches of financial statements accounted for more than half of total paid losses.

Frequency: Notifications continue to rise

In 2025, we observed a clear global rise in notifications, with 665 reported across 386 transactions. This represents a 34% increase in total notifications compared to 2024, and a 26% increase in the number of transactions that incurred one or more claims notifications (see Figure 1).

This increase was observed across most regions, with growth particularly seen in the UK and Europe (see Figure 2).

Figure 1: Global claims by year of notification, 2021 to 2025

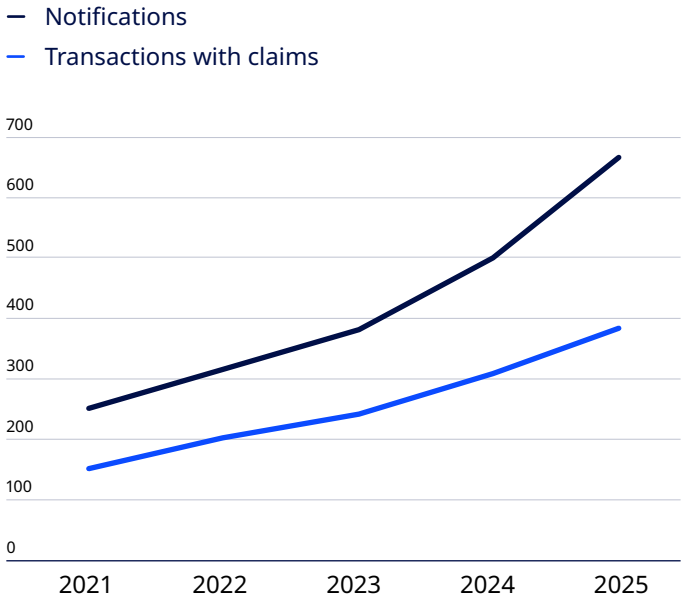
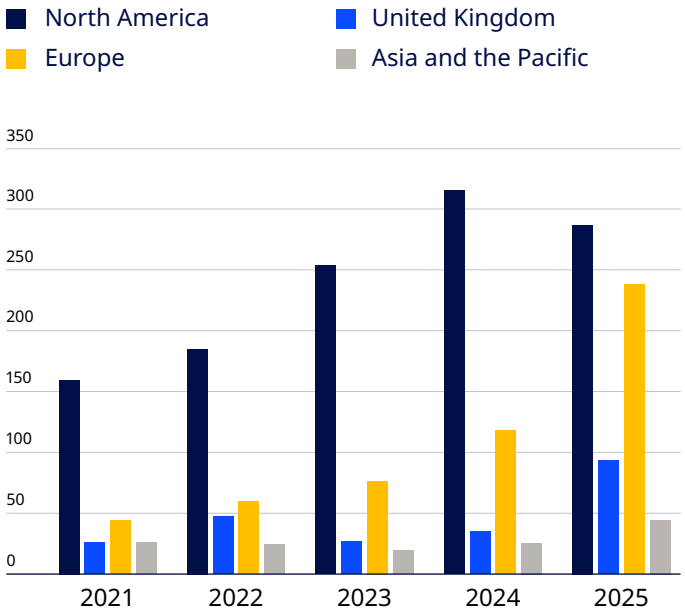


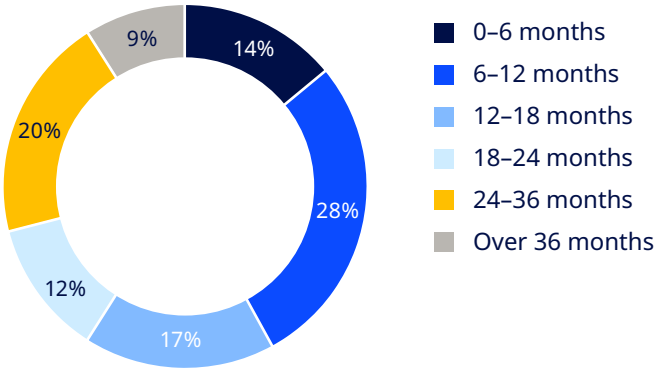
Figure 2: Notifications by region, 2021 to 2025



Timing: Notifications are made promptly after inception

A significant portion of global R&W claim notifications (42%) were reported within the first year following policy inception (14% in the first six months and 28% in the 6- to 12-month period). Over half (59%) were received within the first 18 months. Notifications after 36 months remained relatively uncommon, representing just 9% of the total. These later-notified claims typically related to tax, environmental, or other fundamental warranties, which often carry longer survival periods than general warranties in most sale and purchase agreements (see Figure 3).

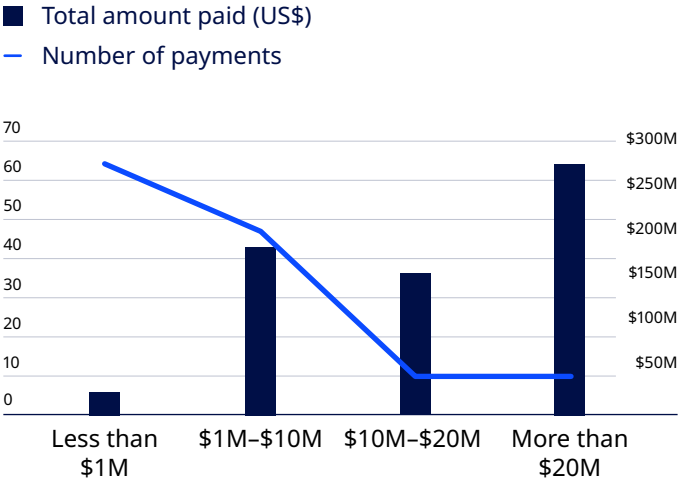
Figure 3: Time from policy inception to notification of new claims received globally



Severity: A small number of claims drive most paid losses

Payments under US$1 million were the most frequent, accounting for approximately half of all claims paid (49%); however, they represented only a fraction of total payouts, just over 3%. By contrast, payments above US$20 million, which made up less than 8% of claims paid, accounted for roughly 43% of the aggregate paid amount. This distribution highlights the importance of protection against low probability, high severity events (see Figure 4).

Figure 4: Claims payments by amount paid globally



Breach mix: Financial statements claims are comparatively severe

While still frequent, tax breaches accounted for only a fraction (just over 1%) of total payments (see Figure 5). By contrast, breaches of financial statements drove severity, representing 52% of total payments. This aligns with our experience that financial statement-related claims tend to be among the most severe, as misstatements can directly impact valuation and cash flow and are amplified through valuation-based damage calculations.

While tax-related breaches remain a consistent driver of notifications, their severity remains comparatively lower than that of financial statement-exposures (see Figure 6).

Figure 5: Percentage of total amount paid by breach type

Figure 6: Percentage of claims by breach type

Key implications

What changed

Claims frequency rose sharply, with severity increasingly concentrated in financial statements breaches.

Why it matters

Financial statement breaches were a key driver of loss volatility and outsized claim severity.

What you should consider

Prioritize financial due diligence, see that warranties are clearly drafted and appropriately scoped, and seek to align coverage structure, limits, and insurer strategy to potential high-severity exposures.

North America

Paid losses increased significantly, largely driven by payments for financial statements, intellectual property, and compliance with laws claims.

Two very different halves defined the transactional risk claims landscape in North America in 2025. In the first half of the year, there was a surge of new claims, predominantly stemming from transactions completed in 2023 and 2024, with the majority of claims reported more than a year after closing. In the second half of the year, however, there was a significant slowdown in new claim notifications, with most reported closer to the closing date. Additionally, in 2025 there was a shift in the type of notifications received, with third-party losses becoming more prevalent, marking a reversal from the last two years when first-party losses were more common. Claim payments continued to rise, with Marsh clients receiving more than US$412 million, representing a 39% year-on-year increase.

At a glance

- **New claim notifications:** 289, 9% year-on-year decrease.
- **Transactions with a new claim:** 167, in line with 2024.
- **Amount paid:** US$412 million, 39% year-on-year increase.
- **Timing:** 45% of notifications received within 12 months of policy inception.
- **Breach types:** Financial statements breaches were the most frequent and severe.

Frequency: Claims rates remain largely consistent

In 2025, Marsh clients reported 289 new claims, reflecting a 9% year-on-year decrease (see Figure 7), with most of the claims (163) reported in the first half of the year. The modest decline is primarily attributable to a slight reduction in the number of transactions experiencing multiple claims as the number of deals involving at least one claim remained largely consistent with 2024. Nevertheless, we have observed that periods of increased M&A activity tend to coincide with fewer claim notifications, and vice versa. If that pattern holds and with many forecasts predicting an increase in M&A activity in 2026, new claim notifications might not increase significantly this year.

In 2025, we observed a rebound in the percentage of transactions with a reported claim. Approximately one-in-five deals that closed between 2017 and 2019 had a reported claim, but the claim rate dropped to one in six deals for those that closed from 2020 to 2022. The claim rates for 2023 and 2024 deals are already approaching the earlier one-in-five ratio, with ample time left on those policies to report breaches of general representations (see Figure 8).

2025 experienced a rebound in the percentage of transactions with a reported claim.

Figure 7: North America claims by year of notification, 2017 to 2025

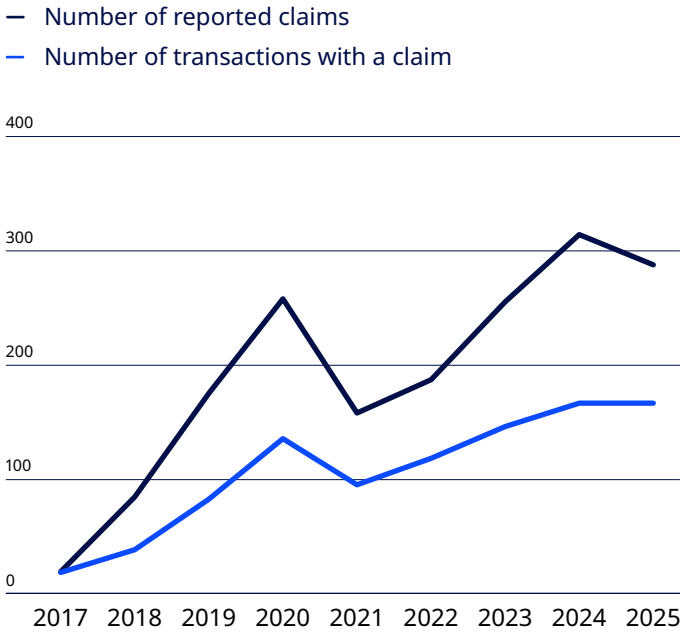
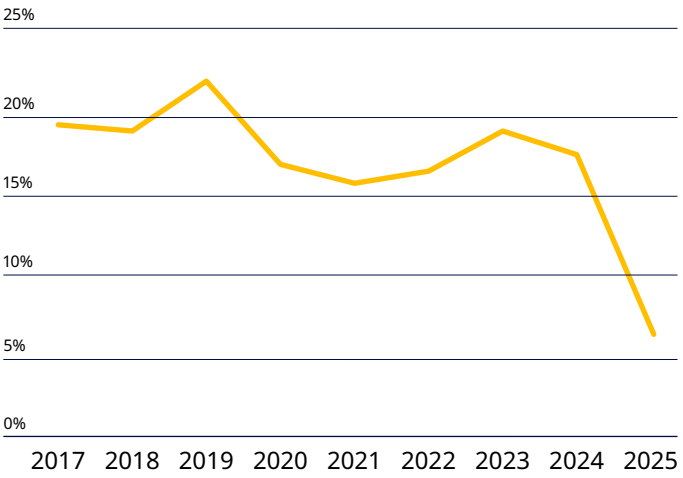


Figure 8: Percentage of insured deals with a claim in North America by policy year, 2017 to 2025



Reflects claims reported through December 31, 2025.

Timing: Notification patterns continue to evolve

The majority of claims continued to be reported more than 12 months after transactions closed (see Figure 9). There was a notable shift, however, between the first and second halves of the year. Only 39% of claims reported in the first six months were within 12 months of closing, with the percentage increasing to 53% in the second half of the year. The shift towards earlier reporting might reflect deal teams' increased focus on deal-making towards the latter half of 2025, potentially drawing attention from identifying and pursuing potential claims on older deals.

In 2025, for the first time, the majority of paid amounts originated from claims reported more than a year after closing. This development, while not unexpected given the increasing proportion of later-reported claims, tends to highlight the value of insurance. Because seller indemnities typically expire after one year, if provided at all, representations and warranties (R&W) policies offer protection and recourse that might otherwise be unavailable.

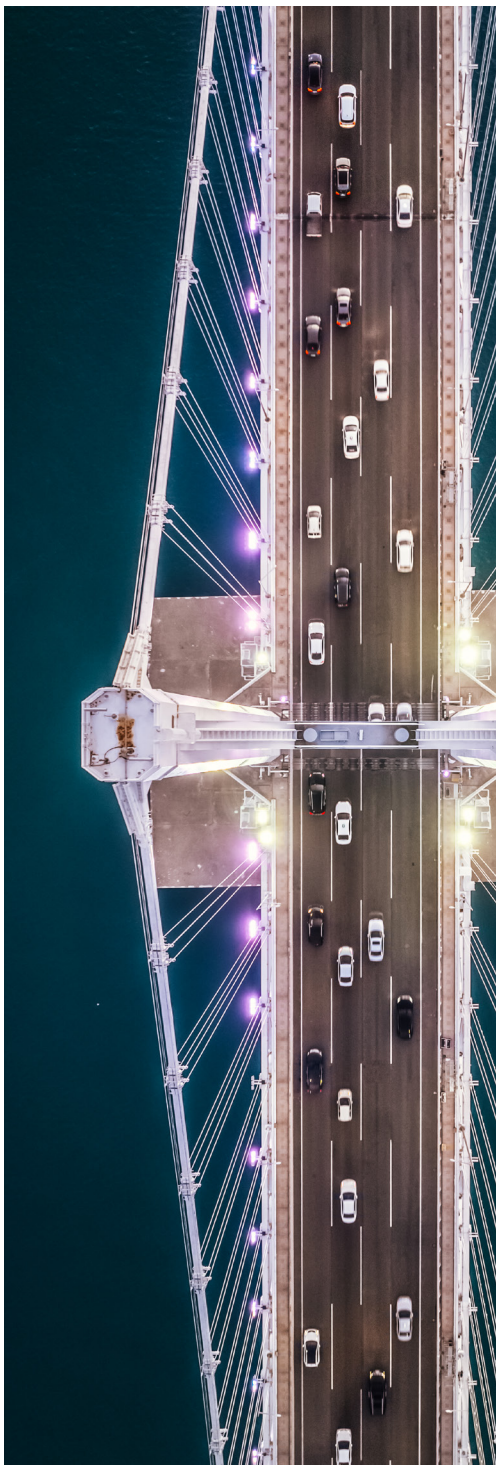
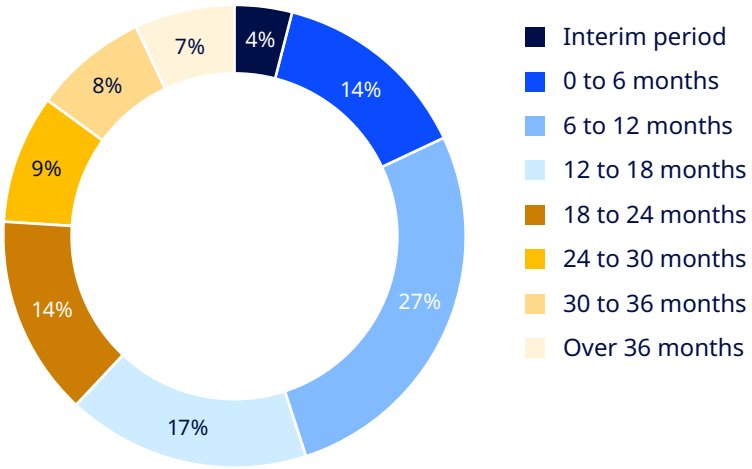


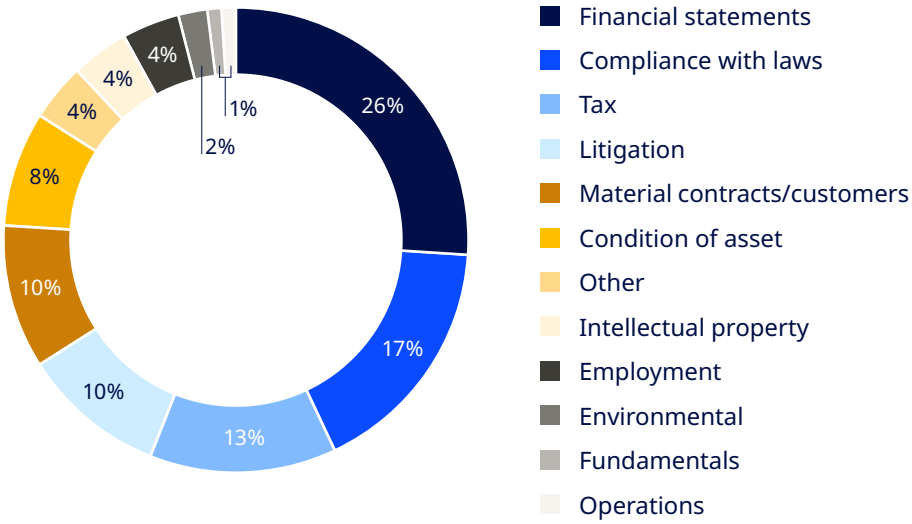
Figure 9: Time from closing to notification of new claims received in North America, 2025



Breach mix: Financial statements remain a driver of paid losses

In line with the prior three years, the most commonly reported breaches in 2025 were financial statements, compliance with laws, and taxes, collectively accounting for 56% of all claims (see Figure 10). While financial statements breaches continued to represent a significant share of claims at 26%, this is a decrease from 33% in 2024.

Figure 10: Percentage of R&W claims by breach type in North America, 2025

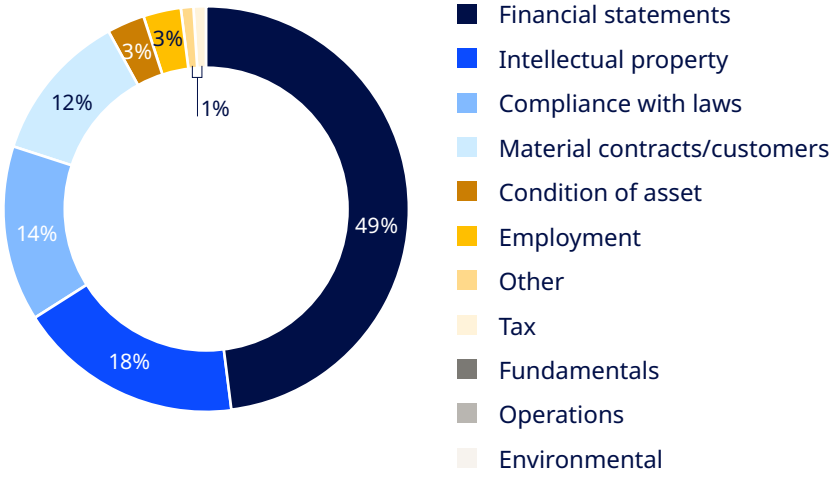


Financial statements breaches continued to account for the largest share of claim payments in 2025, representing 49% of all payouts (see Figure 11). Given that financial statement breaches consistently drive approximately half of all paid losses, it is key for dealmakers and insurers to maintain a focus on due diligence of target companies' financial statements.

While insureds regularly report tax breaches, these claims have generally not resulted in high levels of payments, mainly because many tax audits conclude with minor or no adjustments.

The primary loss driver remained claims asserting losses based on a multiple of earnings before interest, tax, depreciation, and amortization (EBITDA), commonly observed in claims related to financial statements, material contracts/customers, and compliance with laws breaches. Almost two-thirds (64%) of the total amount paid to insureds in 2025 resulted from claims asserting losses involving such multiple of earnings-based losses.

Figure 11: Percentage of claim payments by breach type in North America, 2025

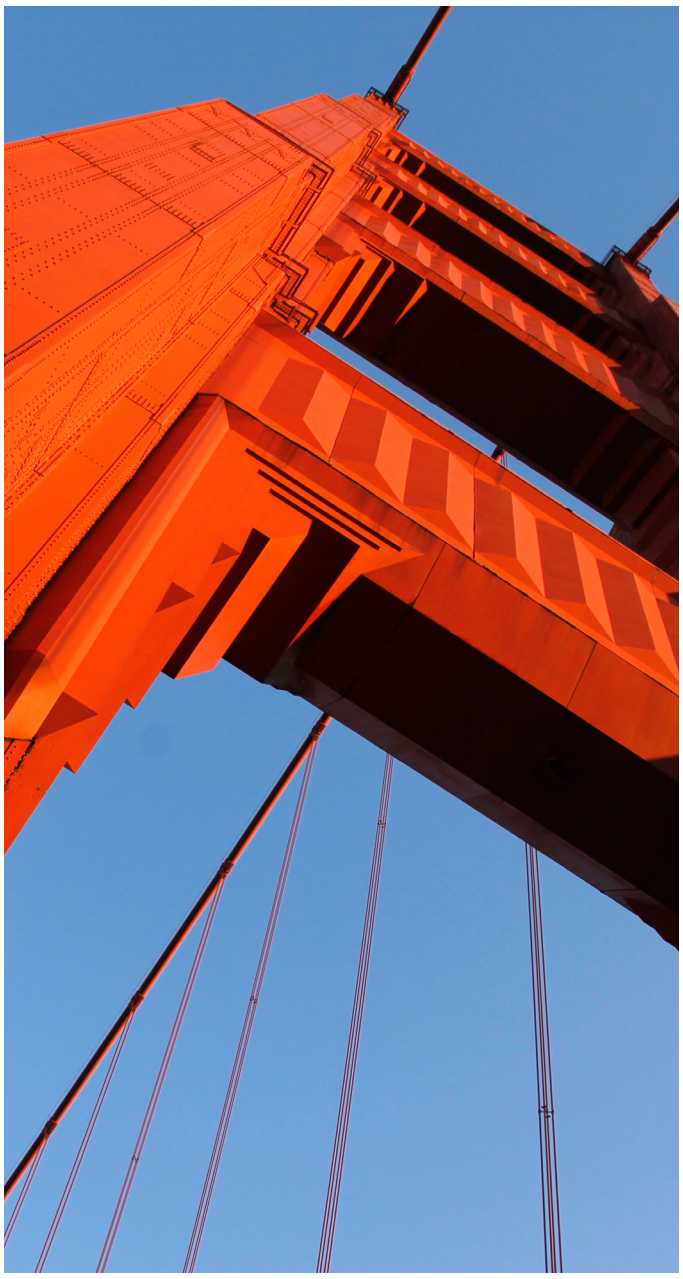


Trend towards first-party claims reverses

Prior to 2022, first-party claims — where the insured suffers the loss directly — represented approximately one-third of reported claims, with the rest being third-party claims, where losses are due to liability to another entity. However, that trend started to shift in 2022, with an approximately 50:50 ratio, and reversed in 2023, the first year that first-party claims comprised the majority of new claims. The trend reversed again in 2025, with first-party claims accounting for only 42% of new claims.

The fluctuation appears to correlate with overall M&A activity. During periods of heightened M&A activity, insureds tend to report fewer first-party claims, possibly due to a shift in focus towards finding and completing transactions. On the other hand, when M&A activity dips, insureds tend to report more first-party claims, perhaps because more challenging economic conditions reveal breaches. Our data suggests that insureds might have additional potential first-party losses during active M&A years that go unreported, whether by choice or due to lack of discovery.

Given that more than 92% of the paid losses in 2025 were concentrated among a limited number of breach types, it is prudent for dealmakers and insurers to prioritize their diligence efforts on these high-severity exposures. A targeted approach may prove more efficient and effective at mitigating losses given limited time and resources to conduct due diligence on potential targets.



Case study

Buyer secures US$15+ million payout following discovery of inflated accounts

Issue

After acquiring a transportation and logistics services company, the buyer discovered that the seller had overstated accounts receivable. The inflated numbers had significantly impacted the buyer's valuation of the company.

How we helped

Marsh facilitated the transfer of information so the insurer could validate the breach and loss and worked with the insurer to focus its review.

Outcome

Within weeks of receiving the insured's data and analysis, the insurer confirmed coverage for the breach and agreed to pay the full US$15+ million policy limit.

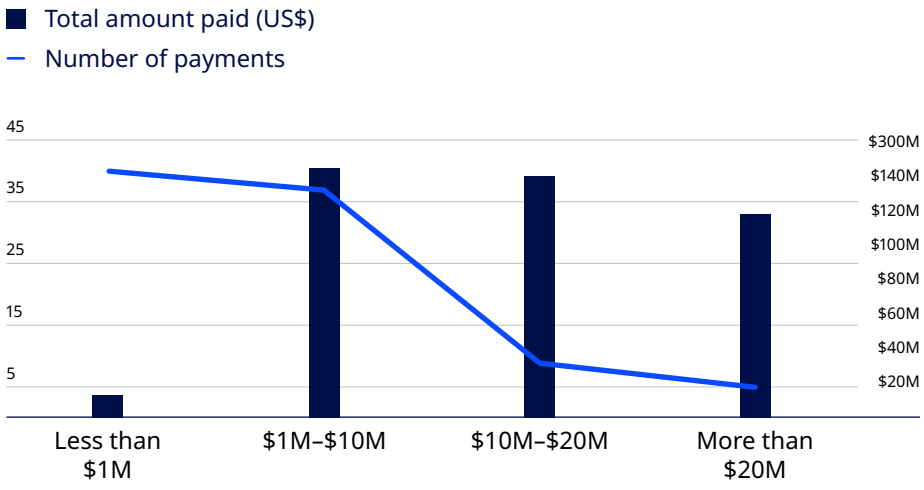
Severity and loss distribution: High-value claims drive 2025 payments

Marsh insureds received more than US$412 million in policy proceeds in 2025, representing a 39% increase over 2024 and more than US$480 million of recognized losses after accounting for policy retentions.

Consistent with prior years, the majority of amounts paid were concentrated among a relatively small number of claims. Five claim payments, each over US$20 million, represented more than a quarter (28%) of the total paid in 2025 and payments exceeding US$10 million accounted for 62% of the total paid (see Figure 12).

In contrast, payments under US$1 million represented 44% of all payments but accounted for only 3% of the total paid. This distribution again highlights the role of insurance in protecting against low-frequency but high-severity losses.

Figure 12: Claims payments by amount paid in North America, 2025



Key takeaways

What changed

Claim payments increased significantly, driven by a small number of high-value losses.

Why it matters

Losses remain concentrated in high-severity exposures, particularly financial statements, compliance, and revenue-related risks.

What you should consider

Prioritize diligence in high-severity areas, such as financial statements, legal compliance, and revenue-critical contracts. Proactively identify and pursue claims to seek to maximize recoveries.

United Kingdom

Claim notifications and payments rose sharply year-on-year compared to 2024, with paid losses largely driven by breaches of warranties relating to financial statements, compliance, and material contracts.

Claim notifications and payments increased significantly in 2025, with notifications reaching unprecedented levels for the UK and total payouts exceeding US$105 million. Paid losses were mainly concentrated in warranty breaches related to financial statements, compliance, and material contracts. However, claim activity spanned the full severity spectrum, from a few large losses to smaller recoveries under nil retention placements, demonstrating the responsiveness of warranty and indemnity (W&I) policies across loss sizes.

Importantly, the majority of claims paid in 2025 were resolved within 12 months of notification. This was mainly the result of coordinated efforts by insureds, their advisers, Marsh's team of transactional risk claim specialists, and insurers. Timely information sharing and constructive collaboration played a key role in maintaining a focused approach to claim-handling and enabling efficient settlement processes.

At a glance

- **New W&I claim notifications:** 88, 150% year-on-year increase.
- **Transactions with a new claim:** 34, compared to 28 in 2024.
- **Claim payments made:** Over US$105 million, multiple times the amount paid out in 2024.
- **Timing of notifications:** 64% of W&I claims were notified between 24 to 36 months after the policy's inception.
- **Breach types most frequently notified:** Tax, financial statements, and litigation most frequently notified, respectively, with financial statements, compliance, and material contract warranty breaches accounting for the highest payments.

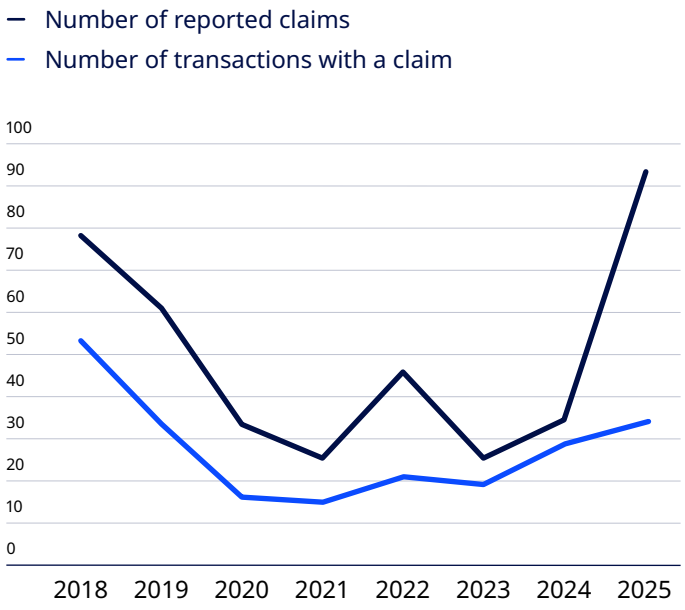
Frequency: The UK witnessed an exponential rise in notifications in 2025

As anticipated in our *Global Transactional Risk Insurance Claims Report 2025*, the number of W&I insurance claims notified surged in 2025, increasing by over 150% year-on-year, 170% if we also include standalone tax policy notifications (see Figure 13). This increase is likely attributable to several factors, including a higher volume of W&I and tax placements, and greater familiarity among insureds and their advisers with the product and its reporting triggers, resulting in more frequent notifications of potential issues.

More that three-quarters (77%) of W&I policy claims notified during the course of 2025 were filed in the first half of the year, with the remaining 23% in the second half. This contrasts with the previous year, when claim notices were more evenly distributed, with 44% submitted during the first half and 56% during the second half of the year. One possible explanation for the concentration of notifications in the first half of 2025 may be that deal teams redirected their efforts toward executing transactions in the second half of 2025.

In 2025, 92 claims were notified across 34 transactional risk deals that were signed between 2019 and 2025, indicating that several deals experienced multiple claims. By comparison, 28 deals had at least one claim in 2024 and the total number of claims notified during that year was only about 37% of the 2025 total. This indicates a marked increase in multiple-claim deals compared to 2024.

Figure 13: UK claims by year of notification, 2018-2025



W&I insurance claims notifications surged in 2025, increasing by over 150% year-on-year.

Typical W&I insurance policies provide coverage for breaches of general warranties for two to three years, with three years being more common, and up to seven years for breaches of fundamental warranties and tax warranties and for claims arising under a tax covenant, where applicable. While the deal notification rate for general warranties can usually be assessed two or three years after the transaction's completion, the true deal notification rate for deals with W&I insurance in more recent years is not expected to be fully evident until around 2032. This indicates that there remains ample time within these policy periods for insured parties to report claims.

Historically we saw a pronounced swing in the percentage of transactions with a notification between 2018 and 2020, while the period between 2021 and 2024 was relatively stable (see Figure 14).

Figure 14: Percentage of W&I insured deals with a claim in the UK, 2018–2025

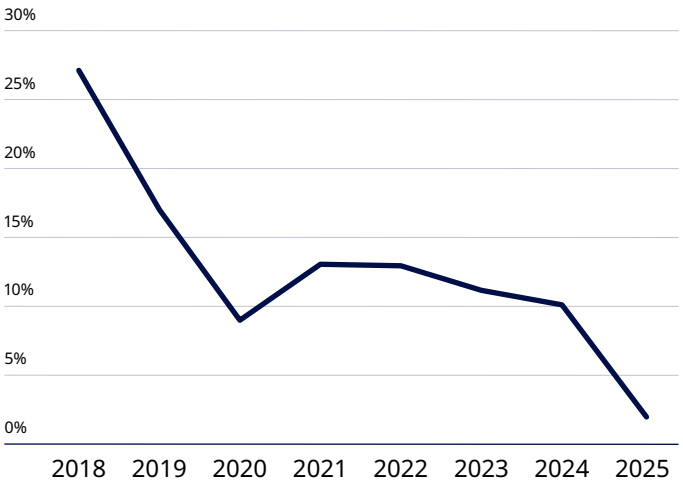


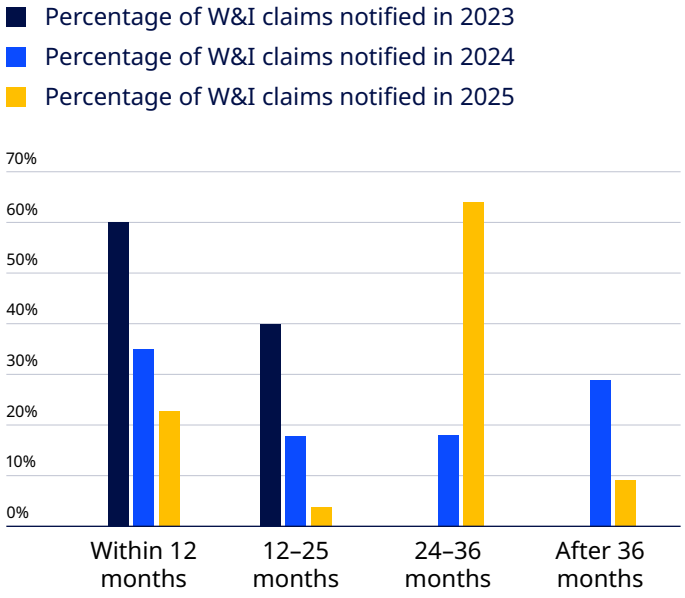
Chart reflects W&I claims reported from 2018 through the end of 2025, showing the percentage of W&I insured deals signed since 2018 that have received at least one claim notification.

Timing: Moving trends on the timing of notifications

Only 23% of W&I claim notifications were received within the first year of policy inception in 2025, a decrease from 35% in 2024 and 37% in 2023 (see Figure 15).

We have also seen changes in the timing of W&I notifications made later in the policy period. Last year, we noted that 18% of W&I claims notified in 2024 occurred between 24 and 36 months after policy inception, while 29% were made after 36 months of the relevant policy's inception. This trend has somewhat reversed in 2025, with around 64% of W&I claims being notified between 24 and 36 months after policy inception, and only about 9% being notified after 36 months of the policy's inception. While the exact cause of this reversal is unclear, likely contributors include greater familiarity with the product among insureds and their advisers, as well as more proactive claims management practices by insureds encouraging earlier notification.

Figure 15: Time from policy inception to notification of new W&I claims received in the UK, 2023 to 2025



Relatively speedy resolutions despite later notifications

Compared to 2024, insurers in 2025 generally improved claims payment efficiency, reducing the time between notification, coverage confirmation, and payment of complex claims.

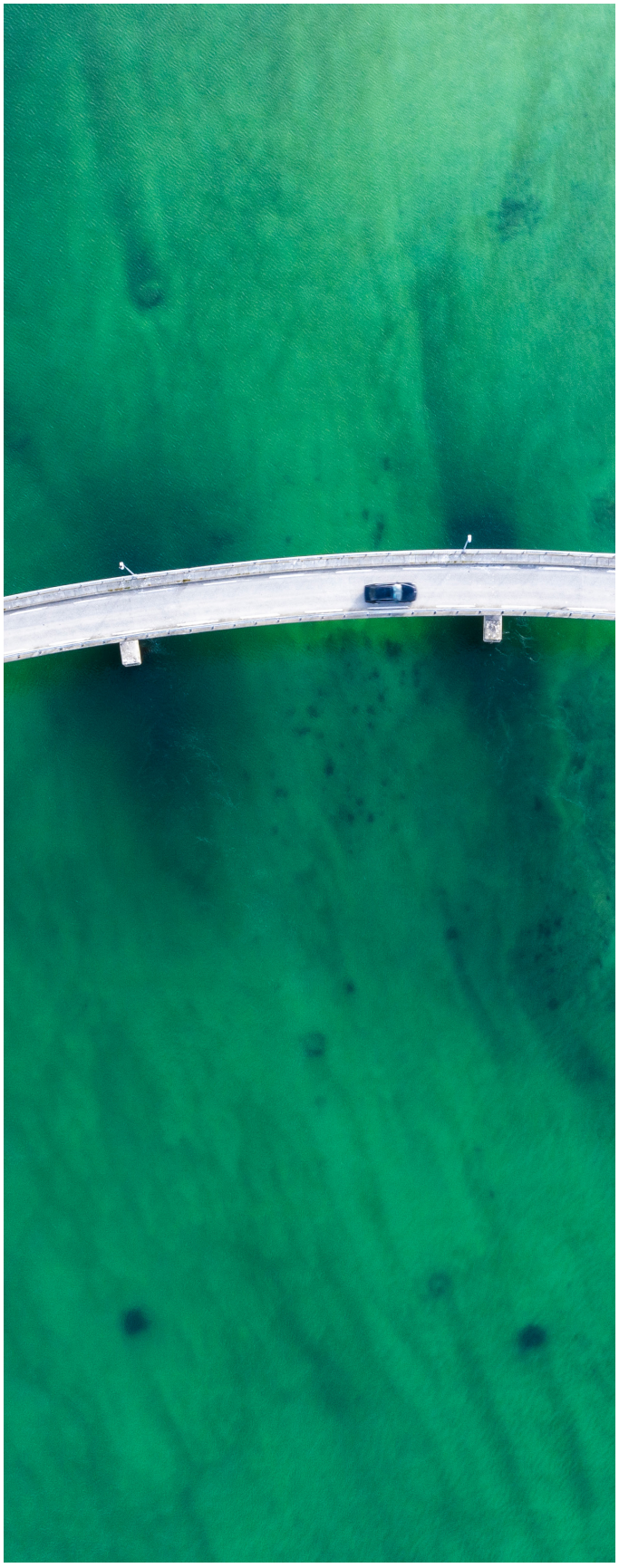
Of the 88 W&I claims notified in 2025, 66% included a quantified or estimated loss to date. Among those, 59% reported losses below the applicable policy retention, meaning that, unless further losses were to materialize, these claims would not result in a payment.

By comparison, among quantified/estimated W&I claims notified in 2024, only 38% were quantified/estimated to be below retention.

This year-on-year shift suggests that a substantial proportion of 2025 W&I notifications with quantified or estimated losses currently represent non-indemnifiable exposures. However, this can change quickly as insureds continue investigations and potentially identify additional losses. This demonstrates the importance of notifying claims promptly, regardless of whether losses are expected to exceed the retention, because total loss amounts may increase over time, and multiple notifications under the same policy can erode the retention and trigger recoveries.

We have observed, in recent years, that some notifications for general warranties have been submitted shortly before the policy expiry. This can be attributed to various factors, such as a late discovery of breaches or breaches that only become apparent after a significant period has elapsed.

Despite the later notifications, some complex and high severity claims were settled relatively quickly in 2025. This expedited resolution was largely driven by a constructive and collaborative approach among insureds and insurers. By focusing early on the key elements required to establish breach and quantum, sharing information efficiently, and using targeted expert work to narrow issues for discussion and determination, the parties were able to maintain momentum throughout the process. This pragmatic, outcome-focused approach effectively helped to shorten resolution times for some of the most challenging claims.



Despite the later notifications, some complex and high severity claims were settled relatively quickly in 2025.

Breach mix: Tax and financial statements breaches remain most frequently notified breaches

Tax breaches were the most frequently notified type of breach, followed by claims related to financial statements and litigation (see Figure 16). Breaches of tax and financial statements also ranked as the top two most frequent breach types in 2024.

Financial statements breaches accounted for the largest claim payments, followed by compliance and material contracts (see Figure 17). This underscores the importance for insureds to prioritize comprehensive financial due diligence.

The apparent mismatch between the most frequently notified breaches and those producing the largest claim payouts reflects differences in the nature and timing of certain claim notifications. Tax and third party claims are often reported on a precautionary basis; for example, such notifications are often made upon receipt of an audit notice, regulatory inquiry, or letter of claim and before any loss has crystallized. Many of these notifications result in little or no payment. In contrast, financial statements breaches are typically first party issues notified only after a quantifiable loss has emerged, which tend to result in larger settlements. Hence, it is important to provide insurers with prompt notice, even on a precautionary basis, to preserve coverage, enable early investigation and mitigation, and to avoid possible prejudice to coverage if losses subsequently develop.

Figure 16: Percentage of claims by breach type in the UK, 2025

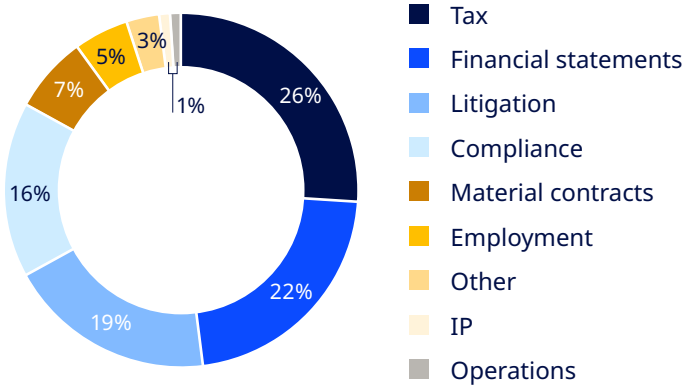
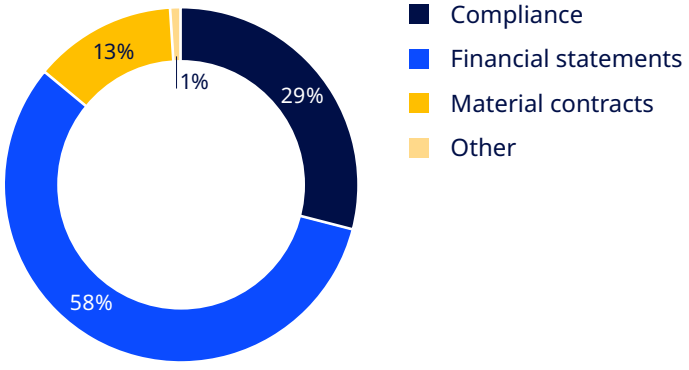


Figure 17: Claim payments by breach type in the UK, 2025



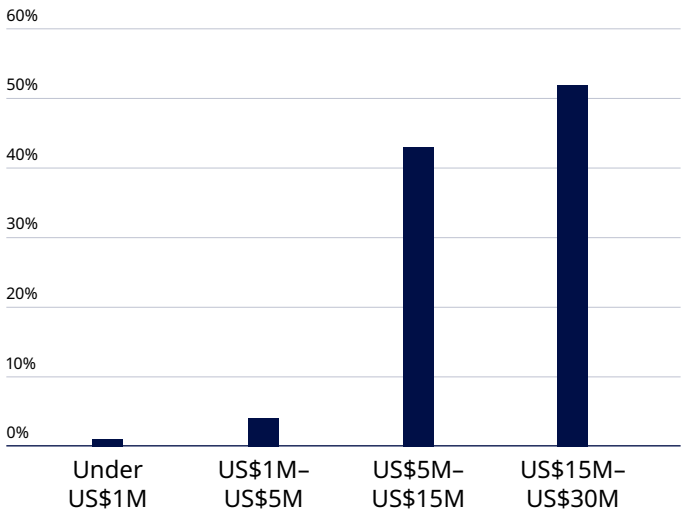
Severity: Large losses drive majority of payments

Marsh clients received over US$105 million in W&I insurance recoveries in 2025, multiple times the amount paid in 2024. Payments were primarily driven by breaches related to financial statements, compliance, and material contracts, although claim activity covered the full spectrum of severity.

A small number of large losses accounted for a substantial portion of payouts, with over 50% of payments in 2025 ranging between US$15 million and US$30 million. Additionally, smaller recoveries paid under nil retention policies demonstrated that policies responded across all loss categories and from the ground up (see Figure 18).

An interesting trend that we have observed is the steady increase in the average ratio of payments to policy limits over recent years. In 2025, aggregate payments per W&I policy — calculated only for policies that received payments — averaged 36% of the policy limit. This payment to limit ratio has risen consistently, from just under 5% in 2022, to nearly 13% in 2023, and just over 20% in 2024. The upward trajectory likely reflects both a year-on-year rise in claim notifications and the significant impact of a small number of large losses that accounted for a substantial portion of 2025 payouts.

Figure 18: Claims payments by total amount paid in the UK, 2025



Marsh clients received over US$105 million in W&I insurance recoveries in 2025, multiple times the amount paid in 2024.

Case study

Streamlined process leads to rapid claim settlement

Issue

Shortly after completing a transaction, the insured identified an issue related to breaches of various financial statement warranties, prompting notification. The insurer assessed the information provided and requested additional information.

How we helped

Marsh's team of claims advocates intervened to help manage the insured's burden in responding to the requests and implemented measures to accelerate the claim's resolution.

Outcome

The insurer agreed to pay 100% of the claimed loss within a short timeframe from notification.

Key takeaways

What changed

Claim frequency and severity increased significantly in 2025.

Why it matters

While a small number of large losses accounted for a substantial portion of payouts, losses span the full severity spectrum, with concentration in financial statements, compliance, and contract-related exposures.

What you should consider

Prioritize due diligence, particularly financial and legal diligence, notify early (even where loss is yet to be quantified and/or where losses may fall below retention), and maintain proactive engagement with insurers to seek to optimize outcomes.

Europe

Europe continues to experience significant growth in transactional risk claims notifications, with financial statements breaches driving the majority of the payment activity.

In Europe, 2025 was defined by a substantial increase in notifications. Although aggregate paid amounts decreased from the prior year, several large upcoming payments are expected as ongoing claims progress through assessment and resolution. This trend reflects both a maturing adoption of transactional risk insurance and an asymmetric severity profile, where, historically, a smaller number of large payments accounted for the majority of paid claims. The rise in notifications aligns with global trends of heightened activity and greater sophistication.

At a glance

- **New claim notifications:** 240 total new notifications, a 103% year-on-year increase.
- **Amount paid:** US$46.9 million paid in total, a year-on-year decrease of 37%.
- **Timing:** 18% notified within 12 months, 65% notified within 18 months, 78% notified within 24 months.
- **Breach type:** Tax claims top breach frequency, financial statements are the top breach by dollars paid.

Frequency: Significant growth in claims notified

The European transactional risk insurance market has experienced a remarkable surge in claims activity in recent years. In 2025, claims notifications nearly doubled compared to 2024 and tripled relative to 2023, reaching a record high of 240 claims across 152 transactions (see Figure 19).

The average policy hit ratio — the percentage of policies receiving one or multiple claim notifications — has shifted markedly, with over 20% of policies placed in 2023 experiencing one or multiple claims, compared to approximately 12% in previous years (see Figure 20).

Given that general warranties typically remain in effect for three years from the policy inception date and most notifications pertain to general/business warranties, additional claims notifications are expected for policies placed in 2024 and 2025. Consequently, the current hit ratios for these years are preliminary.

Although the rationale for the heightened frequency of claims notifications remains uncertain, potential contributing factors include clients' improved understanding and greater experience with policies, expanded coverage, and economic volatility.

Figure 19: Europe claims by year of notification, 2019 to 2025

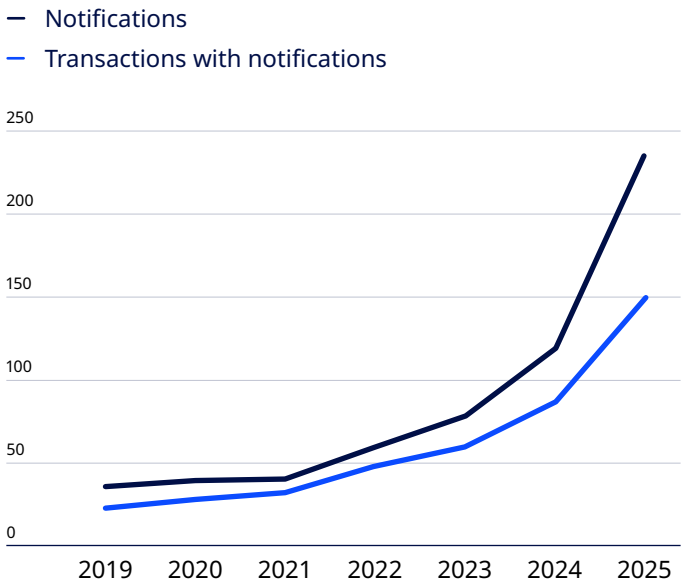
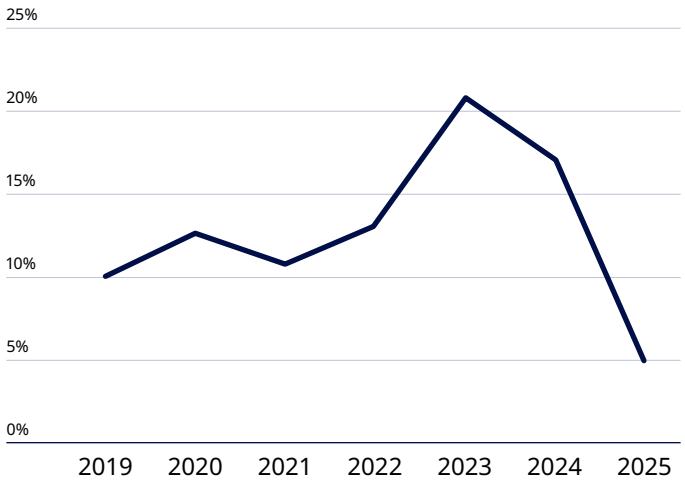


Figure 20: Percentage of insured deals with a claim in Europe, 2019 to 2025

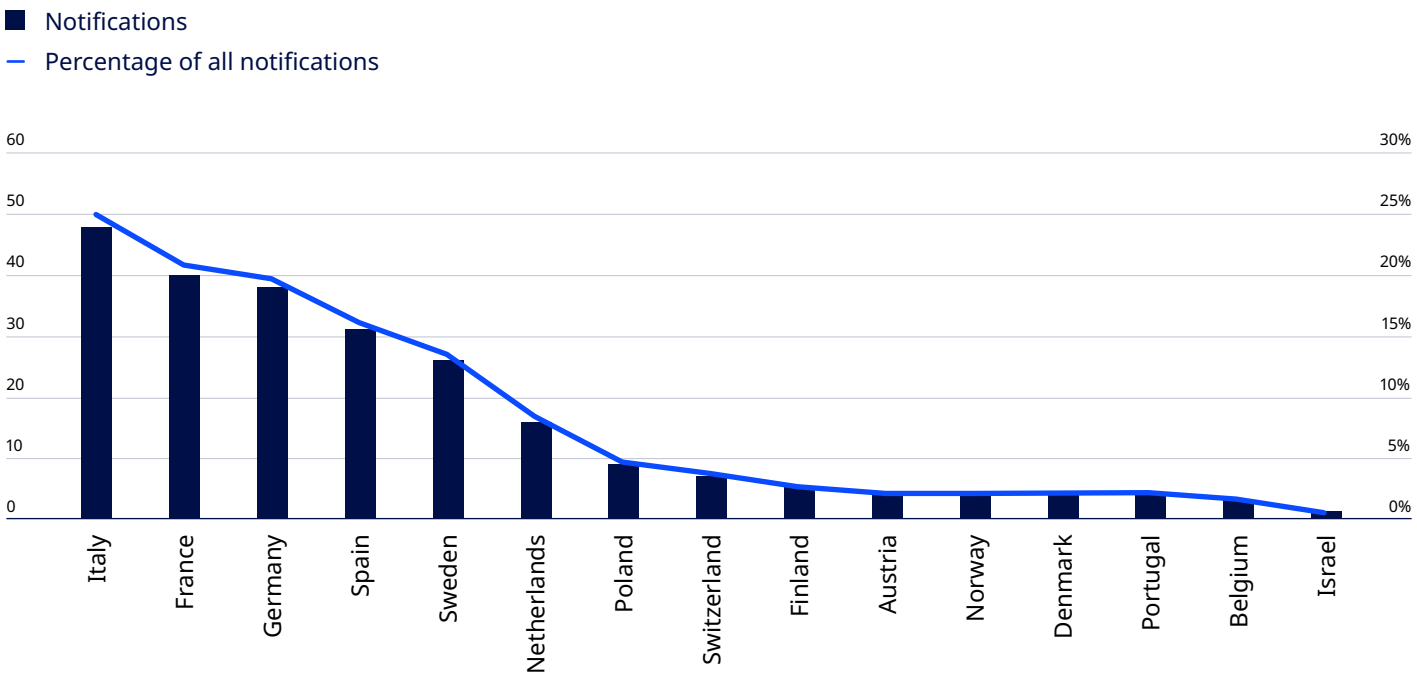


Jurisdictional trends

Five European countries — Italy, France, Germany, Spain, and Sweden — account for more than 95% of claims notifications observed in the region in 2025 (see Figure 21). This distribution reflects both where placements are made and the maturity of these markets. These jurisdictions have well-established warranty and indemnity insurance processes, with all stakeholders, including legal advisors, recognizing warranty and indemnity (W&I) insurance as a key recovery mechanism when post-acquisition issues arise.

Five European countries account for more than 95% of claims notifications.

Figure 21: Notifications in Europe by jurisdiction as a percentage of all notifications in the region, 2025



Timing: Early claims notification is common

Early notification remains common in the European market, with approximately 20% of claims reported within the first six months, and 50% within the first year (see Figure 22). This pattern reflects increased post-transaction scrutiny and a proactive approach by insureds to comply with notification requirements, enabling more effective and timely claims management.

The fact that half of the claims continue to be notified beyond the first year highlights a clear advantage for insureds compared to typical provisions within a sale and purchase agreement (SPA). While SPAs generally require claims to be reported within 12 to 24 months after closing, the three-year notification window offered by W&I policies provides buyers with a significantly longer timeframe to identify and report claims.

Claim complexity also influenced resolution timelines. Nearly 50% of claims were resolved within 12 months, while some exceeded 24 months (see Figure 23). This extended resolution period was often due to notifications related to pending third-party demands, especially those involving litigation, which can take years to develop into a loss. 23% of 2025 claims notifications were denied outright.

Figure 22: Time from inception to notification of new claims received in Europe, 2025

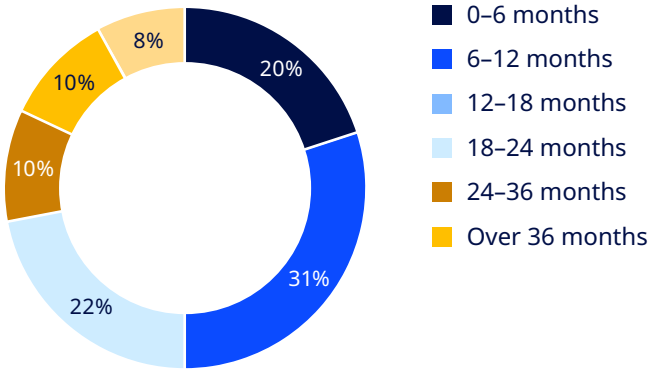
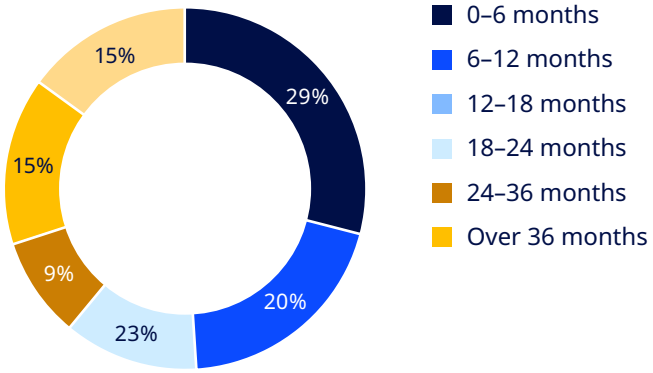


Figure 23: Time from notification to resolution in Europe, 2021 to 2025



Early notification remains common in the European market, with approximately 20% of claims reported within the first six months.

Breach mix: Tax breaches lead in frequency; financial statement breaches drive severity

Tax breaches continued to represent the highest proportion of claims notifications, making up more than a fifth (21%) of total claims (see Figure 24). However, they accounted for only about 4% of the total aggregate paid amounts (see Figure 25). This dynamic largely stemmed from many tax claims being notified as a precaution, often triggered by the announcement of a tax audit, but not necessarily resulting in actual losses. Additionally, tax exposures were frequently negotiated with tax authorities, carried forward, or offset against tax attributes, which further mitigated the ultimate financial impact.

In contrast, financial statement breaches, while somewhat less frequent, accounted for just under 19% of notifications in 2025 and constituted 64% of aggregate paid amounts. This aligned with historic trends and reflects the direct impact such breaches have on the target company's reported profit and loss. Resulting losses can be amplified when valuation multiples are applied, leading to considerably larger claim payments. The scope of financial statements warranties is broad, allowing for a wide range of issues to be addressed, ranging from failure to provision for contingent liabilities to non-compliance with

Figure 24: Percentage of R&W claims by breach type in Europe, 2025

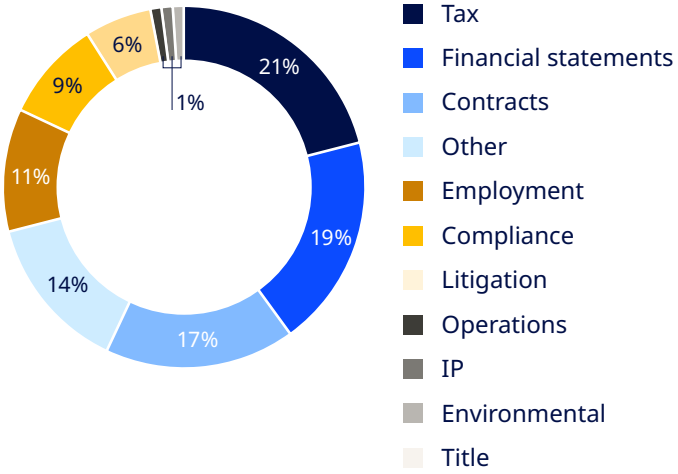
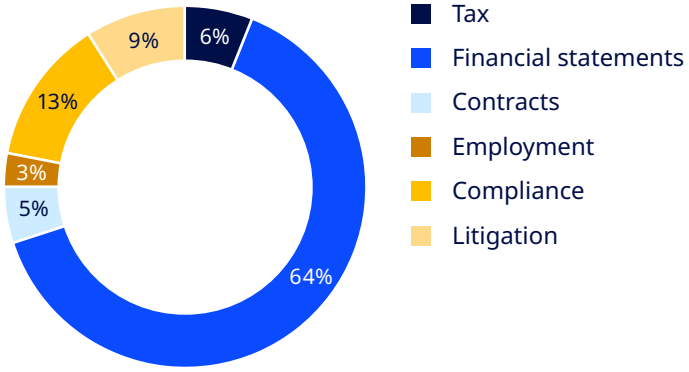


Figure 25: Percentage of claim payments by breach type in Europe, 2025



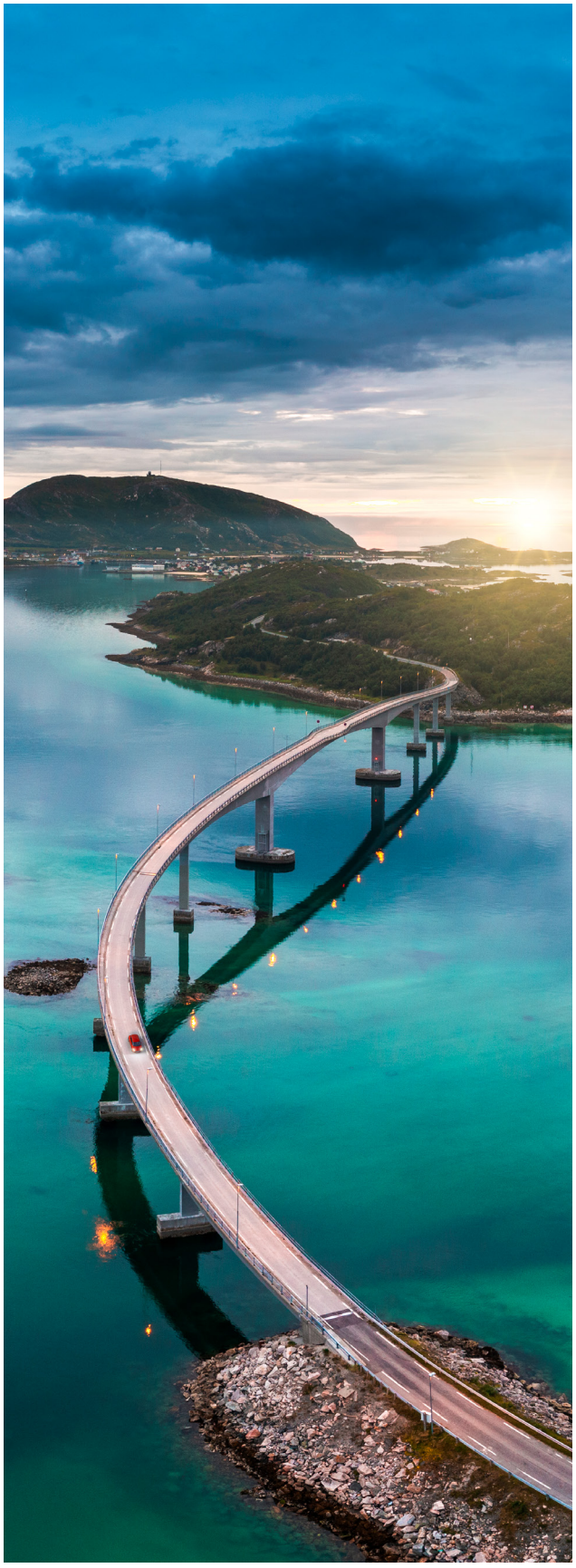
applicable accounting standards in revenue recognition. Notably, there have also been instances of breaches involving the manipulation of accounts by previous executives or employees of the target company.

Other notable breach types included compliance, contracts, and disputes and litigation. It is worth noting that we have observed multiple multimillion-dollar payments related to compliance breaches, particularly those involving environmental and health and safety issues connected to industrial installations.

Another trend in 2025 involved sellers providing incomplete or misleading disclosures concerning potential contingencies. In these instances, sellers made partial disclosures about contingent risks but either downplayed their severity or concealed critical information about the likelihood of the liability materializing. Such conduct can trigger various warranty breaches, depending on the affected area (such as contracts or litigation), with the primary warranty invoked typically being the information/disclosure warranty. Marsh's transactional risk team has advocated on these claims, helping to secure indemnification for losses exacerbated by the undisclosed information.

Similarly, insureds reported breaches related to alleged seller fraud, including fraudulent concealment of key information during due diligence. Despite this emerging trend, we have not yet observed a corresponding rise in insurers pursuing sellers through their subrogation rights under the policy, although this may evolve if fraudulent claims continue to increase.

It is worth noting that we have witnessed the activation of several standalone tax policies across various jurisdictions. Outcomes have ranged from coverage of defense costs to advanced tax payments, as well as the resolution of the insured tax risk without reassessment.



Severity: Fewer large payments, more frequent smaller settlements

Following a very strong 2024, with US$76 million in payments, activity remained high in 2025, with US$46.9 million paid across 29 claims (see Figure 26). The largest payment amounted to US$27 million.

Although the aggregate paid amount in 2025 was lower than in 2024, we ended the year being actively involved in several pending larger claims that are approaching final resolution.

High-value deals, exceeding US$500 million, accounted for approximately 17% of notifications and represented 20% of total payments, highlighting that smaller deals also carry risk and can benefit from insurance.

One payment made in 2025 exceeded US$10 million, with around 28 payments below that threshold (see Figure 27). Overall, there were 11 more payments than the previous year, albeit for a lower aggregate amount.

Figure 26: Claims payment by year in Europe, 2021 to 2025 (US$)

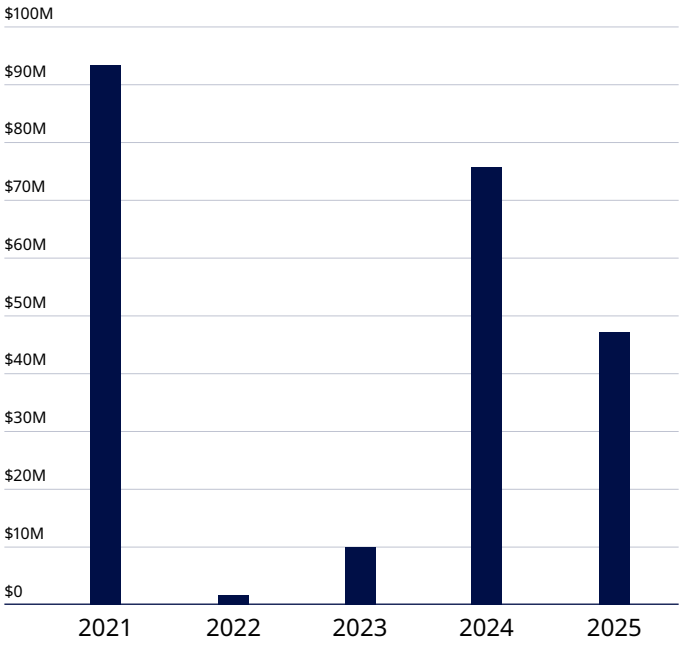
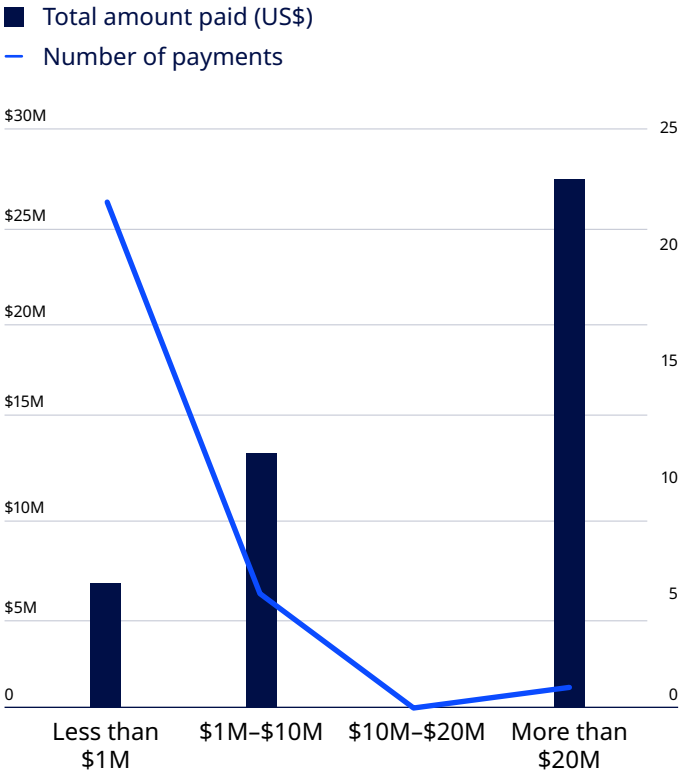


Figure 27: Claims payments in Europe, 2025



Case study

Overcoming insurer objections results in US$1+ million payment

Issue

After closing, the tax authorities imposed a previously undisclosed late payment penalty against the target company. Initially, insurers denied coverage, contending that the underlying tax liability had been disclosed.

How we helped

With Marsh's guidance, the insured successfully argued that late-payment penalties had not been part of the disclosures.

Outcome

The insurers agreed to pay over US$1 million within seven months of the claim notification, a favorable outcome for the insured.

Key takeaways

What changed

Claims notifications increased significantly.

Why it matters

There is a higher frequency of notifications, with financial statements continuing to drive losses.

What you should consider

Prioritize early notification, maintain disciplined financial diligence, and engage closely to manage claims effectively.

Asia and the Pacific

Claims notifications and payments increased significantly in 2025, reaching record highs.

2025 marked a watershed year for transactional risk claims in Asia and the Pacific, with both frequency and severity increasing significantly. Claims payments surged across deals in the region, with more than US$80 million paid to Marsh clients in Asia, breaking our records for both the annual overall payments amount and the largest payment on a single claim. This highlights the increasing utilization and adoption of policies, which invariably translates into a higher level of claims activity.

At a glance

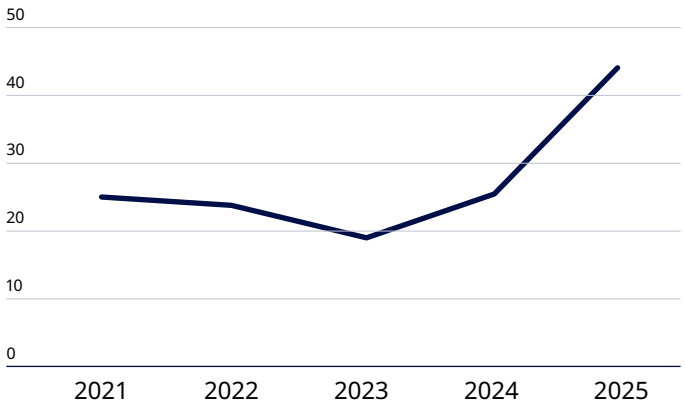
- **New claim notifications:** 44 total notifications, a 76% year-on-year increase.
- **Amount paid:** More than US$80 million paid to Marsh clients, including a US$76 million tax liability claim, during a record-setting year.
- **Timing:** Majority of notifications occur within two years of policy inception.
- **Breach type:** Financial statements top breach frequency; financial statements and tax-related exposures account for the largest payments.

Frequency: Claims activity on the rise as the market continues to mature

Insurers across the region received 44 claims notifications from Marsh clients in 2025, a significant 76% year-on-year increase (see Figure 28).

Japan and India emerged as the most active markets, representing 40% and 33% of total notifications, respectively. Growth was driven by warranty and indemnity (W&I) and tax liability claims, with the latter more than doubling.

Figure 28: Claims notifications in Asia and the Pacific, 2021 to 2025



Timing: Growth in notifications reported after two years

Most claims reported in 2025 were filed within two years following policy inception (see Figure 29). However, we have observed a general slowing in notification timing, with the largest share (27%) of claims being reported after the 24-month mark of a policy's term. This represents a 12% increase in the number of claims filed at that stage in the policy term compared to 2024. Consistent with the previous year, our observations indicate that claim activity is not heavily concentrated within any single timeframe, with a relatively stable frequency of notifications observed both in the first six months of a policy's life and after the 18-month mark.

An analysis of notifications shows that, alongside submissions on policies filed during the 2025 financial year, the majority of claims were related to policies from 2023 and 2024. More than 60% of filings on 2023 and 2024 policies were made in 2025, demonstrating that claim frequency remained consistently high during the first two years after policy inception (see Figure 30).

With general warranty coverage periods extending up to three years and tax warranty coverage periods lasting as long as seven years, W&I insurance continues to deliver value by addressing tail risks well beyond the integration phase.

Figure 29: Time from policy inception to resolution in Asia and the Pacific, 2019 to 2025

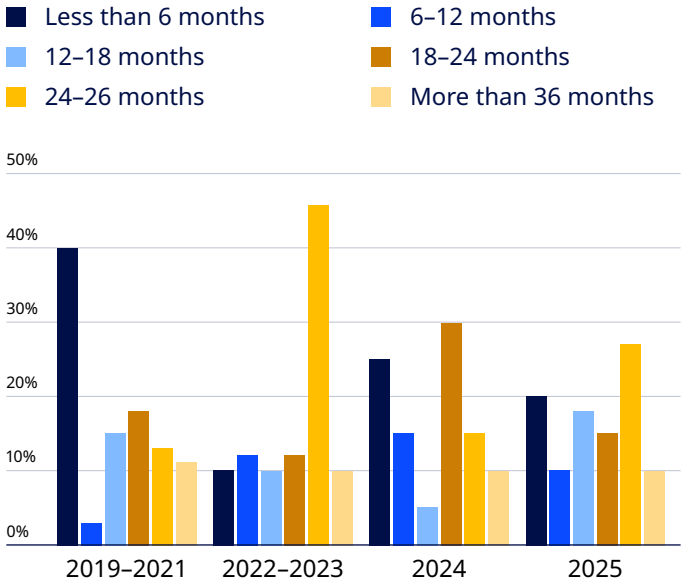
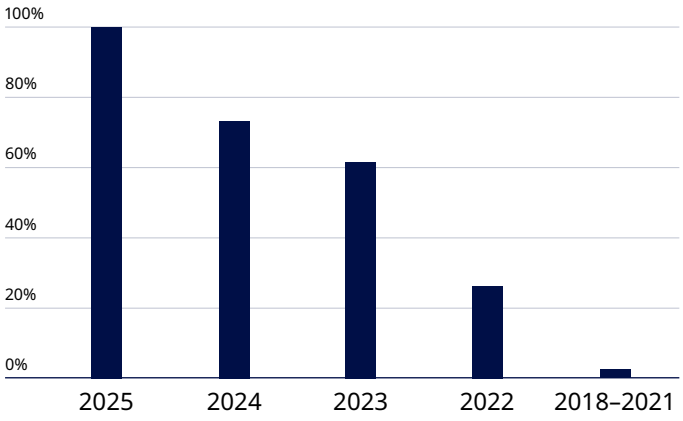


Figure 30: Percentage of claims notifications as a percentage of total claims according to policy year in Asia and the Pacific, 2025

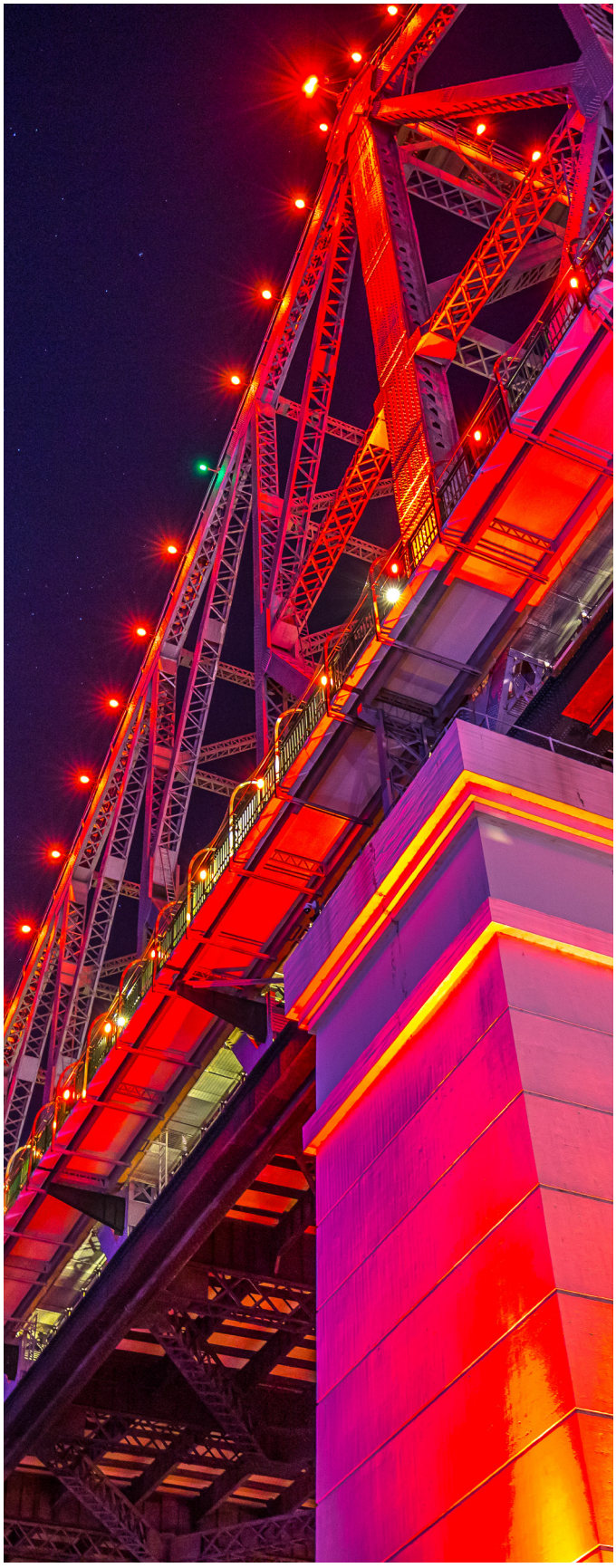


Increasing competition levels fuel faster insurer responses

Following the entry of new markets into the region about three years ago, the competitive environment has increased, leading to a greater focus on claims servicing.

Our continued observations of insurer performance indicate faster response, with some insurers issuing preliminary coverage comments within three calendar days from the date of notification. This represents a significant improvement from the average response time of between 10 and 12 calendar days recorded in 2024.

Further, 92% of claims filed in 2025 received substantive coverage guidance within 30 calendar days. These response rates are quicker than mandated policy timings, which typically require coverage responses within 30 business days from the date of notification.



Breach mix: Financial statements lead while tax liability claims surge

Consistent with prior periods, the largest portion of the region's W&I notifications (41%) were driven by misrepresentations of warranties related to financial statements (see Figure 31). Notably, from this category, a single large payment exceeding US$5 million was made in 2025. The increase in financial statements losses marks a departure from a five-year pattern during which tax-related warranty breaches were the leading cause of claims across Asian deals.

Although the majority (75%) of all claims reported in 2025 were related to W&I policy notifications, the number of tax liability insurance claim notifications more than doubled, driven in large part by Asian clients. This increase resulted in Asia recording the highest number of tax liability claims since we started keeping records (see Figure 32).

Figure 31: Frequency of breach types in Asia and the Pacific, 2020 to 2025

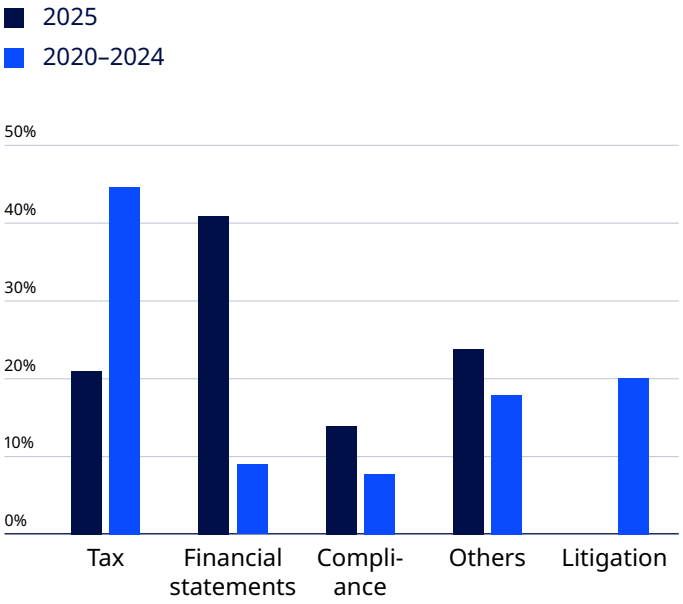
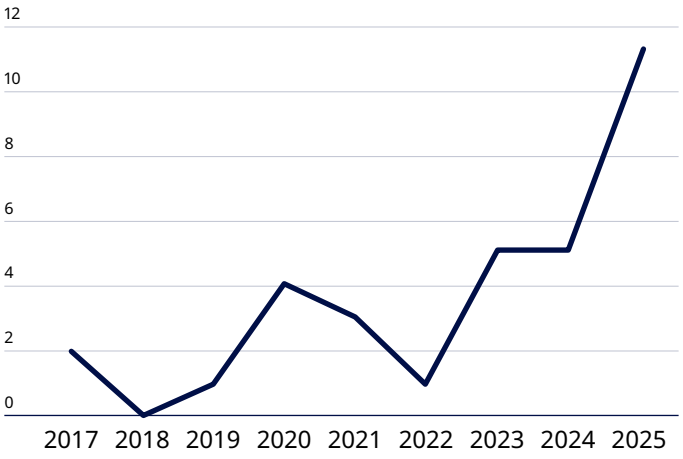


Figure 32: Number of tax liability insurance claims notified in Asia and the Pacific, 2017 to 2025



The increase in financial statements losses marks a departure from a five-year pattern.

Severity: Financial statement breaches driving higher severity

While less than half of all claims notified by Asian clients were expected to breach retention thresholds, 54% of all financial statements-related claims were expected to fully erode the applicable retentions. More than a quarter (27%) of all losses related to financial statements reported in 2025 alleged losses greater than US$5 million.

Financial statements warranty breaches losses showed a recurring theme: a diminution in the value of purchased shares driven by flawed underlying valuation models based on false and erroneous financial information.

While some tax liability insurance claims remain in the early stages of audit or assessment, there are several substantial advanced tax payments demands on other tax liability policies placed across Asia. We anticipate that both the frequency and severity of these claims will increase in the coming years as tax authorities increase scrutiny amid more difficult macroeconomic conditions.

Jurisdictional observations

Clients in Asia were primarily impacted by financial statements and tax issues in 2025.

Japanese clients accounted for 40% of all claims filed in 2025, including 13% arising from domestic Japanese W&I policies. Indian clients followed, with a substantial 33%. As two of our largest markets, it is not surprising that claims volume outpaced other jurisdictions in the region.

India in focus: Claim notifications increase amid evolving use of insurance

India continued to experience a steady rise in claim notifications under transactional risk policies, with overall notifications rising by 30% year-on-year. This growth was more pronounced in standalone tax liability insurance policies, which saw a 40% increase year-on-year. This trend reflects the deepening adoption and use of transactional risk insurance, especially in complex deal structures amid an active regulatory environment. As insurance becomes more integrated in deal processes, a clear correlation is emerging between its usage and the rising rate of notifications.

Private equity drives the majority of claims activity

A significant majority of claims (92%) originated from private equity-backed transactions, with corporate insureds accounting for the remaining 8%. This contrast aligns with the deeper penetration and routine application of W&I and tax insurance in private equity transactions, particularly in competitive auction environments where these insurance solutions are often integral to securing preferred bidder status. The data reflects the maturity and extensive adoption of transactional risk insurance in the private equity sector.

Tax and compliance breaches remain key notification drivers

Tax-related issues remained the most frequent trigger under W&I policies, accounting for 50% of notifications, consistent with global trends. Breaches related to compliance with laws warranties accounted for 33%, with the remaining claims spread across a diverse range of warranty types. This distribution reflects that policy usage is driven not only by traditional tax exposures but also by a broader spectrum of post-signing and post-closing considerations.

Claims notifications concentrated in the post-financial- year-end period

No claims were notified in the first quarter, 54% of notifications were filed in the second quarter, 31% in the third, and 15% in the fourth. This distribution reflects a concentration of activity following the financial year-end at the start of the second quarter. The continued flow of notifications into the third quarter, driven largely by tax policy notifications, indicates sustained engagement with policies as part of ongoing post-transaction review and reconciliation processes. The final-quarter taper could suggest a natural decline following this cycle. Overall, the timing pattern tends to align with post-closing reviews, financial reporting cycles, and tax assessment processes, during which issues typically surface and are reported.

Early and interim notifications highlight proactive policy use

Early notifications remain significant, with 46% of claims filed within one year of policy inception. Additionally, there has been an observable increase in notifications during the interim period

between policy inception and transaction closing under W&I policies. This trend reflects a more proactive and integrated use of insurance during the transaction process itself, as insureds engage with policies alongside final-stage diligence and deal execution. Identifying and reporting potential issues at this stage underscores the role of transactional risk insurance's dual role — both as a post-closing protection tool and as a mechanism to support greater deal certainty and continuity during the interim phase.

Pacific: W&I claims activity gains momentum across Australia and New Zealand

Claim notification activity in Australia and New Zealand continued to pick up, in line with other regions. Notifications continued to be observed across a range of transactions, reflecting growing awareness among clients and their advisors of the products' benefits and uses.

While not every notification leads to a formal claims process, W&I is increasingly recognized in the region as a key tool for managing and mitigating loss arising from warranty breaches.

Case study

Complex tax liability claim settles for US$76 million

Issue

One of the most significant claims in the region involved a US$75+ million payment under a tax liability insurance policy related to an advanced tax payment demand in Southeast Asia. Several years after an acquisition, tax authorities initiated an audit and assessed acquisition-related tax liabilities.

How we helped

Our team sought to align stakeholders and helped to address perceived discrepancies across submissions and supporting documentation and successfully overcame potentially contentious coverage issues.

Outcome

Our team's dedicated claims advocacy led to a full recovery of the advanced tax payment for the client.

Key takeaways

What changed

Payments and notifications increased significantly across Asia.

Why it matters

The transactional risk environment in Asia has matured, in terms of volume and severity of claims across deals. When selecting insurers, clients tend to prioritize prior claims handling experience.

What you should consider

Select an insurer with efficient and commercial claims processes, and a collaborative approach to working through claims issues.

Conclusion

Data for 2025 reinforces a clear shift in the transactional risk landscape: while claims frequency continues to rise globally, losses remain concentrated in a relatively small number of high-severity events, particularly related to financial statements, compliance, and contractual exposures.

As transactional risk insurance adoption continues to expand across regions, the claims environment is becoming increasingly active, sophisticated, and integral to the overall value of these policies. This progression underscores the roles of effective underwriting, rigorous diligence, and proactive claims management.

For insureds, early identification and prompt notification of potential issues — regardless of whether losses are expected to exceed retention thresholds — remain keys to coverage and optimizing outcomes. For insurers and advisors, sustained collaboration, transparency, and greater efficiency in claims handling will remain vital.

As the market matures further, transactional risk insurance will continue to be defined not only by its role at placement, but also by the way it responds to claims. Ultimately, effective claims strategies may emerge as an indicator of deal success.

Contact us

Craig Schioppo
Global Head, Transactional Risk
craig.schioppo@marsh.com

Nanki Arora
Claims Advocate, India
Financial Lines and Transactional Risk
nanki.arora@marsh.com

Raquel Galvan Perez
Transactional Risk Claims
Advocate, UK
raquel.perez-galvan@marsh.com

Steven Hong
Head of Transactional Risk
Claims, North America
steven.hong@marsh.com

Pin Li Lim
Head of Transactional
Risk Claims, Asia
pinli.lim@marsh.com

Luke Marcoux
Senior Claims Advisor, North America
luke.marcoux@marsh.com

Román, Laura
Claims Advocate, Continental Europe
laura.roman@marsh.com

Elizabeth Shaw
Head of Transactional Risk Claims, UK
elizabeth.shaw@marsh.com

Marnix Terpstra
Head of Transactional Risk
Claims, Continental Europe
marnix.terpstra@marsh.com

Sam Thomas
Head of Transactional Risk, Pacific
sam.thomas@marsh.com

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 capabilities

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 more 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 protect returns.
- **Portfolio management.** Our PEMA Portfolio Platform helps private equity sponsors and their portfolio companies improve risk management, centralize insurance programs, and drive operational efficiency.

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

About Marsh Risk

Marsh Risk is a business of Marsh (NYSE: MRSH), a global leader in risk, reinsurance and capital, people and investments, and management consulting, advising clients in 130 countries. With annual revenue of $27 billion and more than 95,000 colleagues, Marsh helps build the confidence to thrive through the power of perspective. For more information about Marsh Risk, visit marsh.com, or follow us on LinkedIn and X.

1166 Avenue of the Americas, New York 10036

26155318-GL