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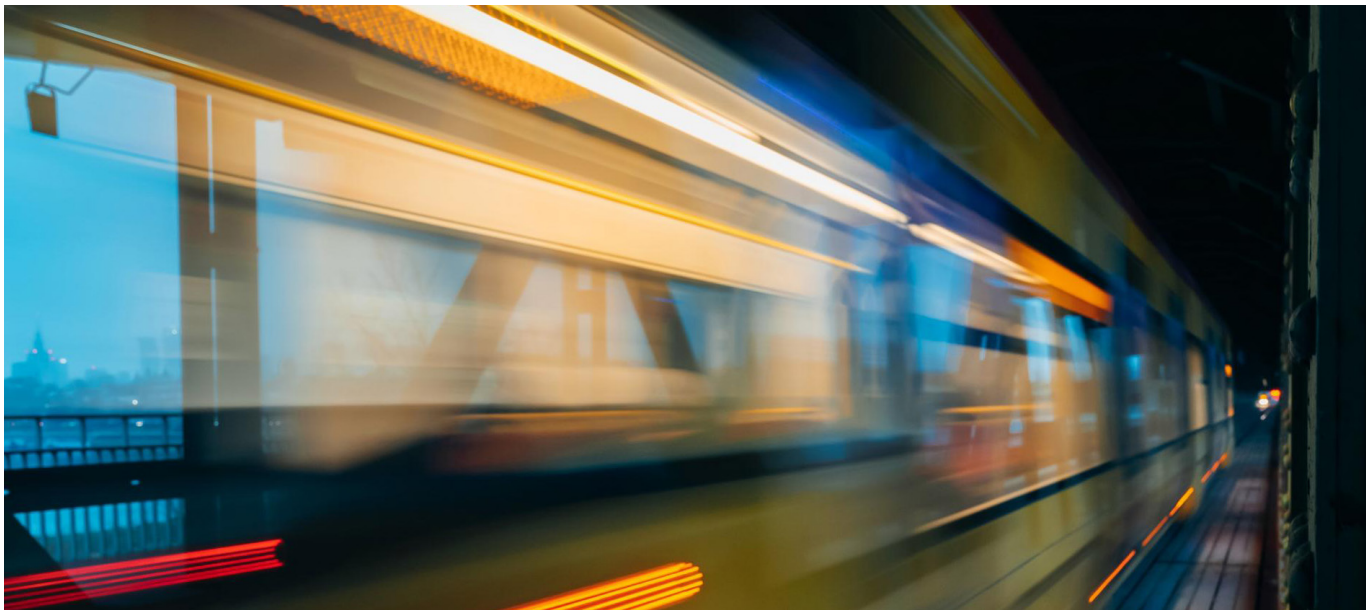
How transactional risk insurance can enhance private equity secondaries



In a market moving at record pace, execution certainty is crucial.

The private equity secondaries market has never been more active. In 2025, general partner-led (GP-led) deal volume reached US$106 billion while limited partner-led (LP-led) transactions hit US$120 billion, both all-time highs.

Warranty and indemnity (W&I) insurance has evolved from a niche afterthought into a core structuring tool, one that materially impacts deal competitiveness, execution speed, and liability allocation. But secondaries transactions present structuring challenges that demand genuine market depth, not just product familiarity.

Marsh's transactional risk team operates globally, with market-leading teams on the ground in all regions delivering seamless support on M&A transactions. In 2025, we placed a record US$91.6 billion in transactional risk limits globally across more than 3,800 policies, supporting transactions with an underlying aggregate enterprise value in excess of US$550 billion. Our work during the year included advising on the largest insured GP-led secondary in Europe: a US$10 billion continuation vehicle requiring a W&I solution capable of responding to two alternative deal structures simultaneously.

> In a market where speed and certainty determine outcomes, the capabilities of your insurance broker are a competitive variable.

GP-led transactions: Where insurance creates real leverage

GP-led secondary activity reached an all-time high in 2025, with volume up 51% year-over-year, representing 47% of total secondary volume. In these deals, the allocation of risk between rolling LPs, new investors, and the GP is rarely straightforward.

W&I cover is increasingly being used to:

- **Reduce friction with the GP:** By shifting liability to insurers, GPs can offer investors enhanced warranty protection while keeping their own exposure minimal (often as low as €1).
- **Accelerate execution:** Pre-negotiated policies are now a common feature of sponsor-run processes, reducing negotiation time between buyers and GPs.
- **Level the playing field for new entrants:** Investors without a deep history with the sponsor can still access robust warranty protection via insurance.

> And the costs are low, typically around 0.7% to 1.1% of the limit insured, with fundamental warranty and/or excluded obligations indemnity top-up typically being available at 0.2% to 0.4%.

Marsh case study:

European landmark GP-led secondary transaction

A leading global private equity sponsor faced a structuring challenge with no straightforward precedent: two alternative deal structures — a true secondaries-style structure, with a tailored and narrower warranty set, and a traditional buyout-style structure, with a more comprehensive warranty set. Both remained under consideration in parallel, up until a very late stage in the process. The decision between the two remained unresolved until shortly before signing.

The deal also presented a number of structural and execution challenges that are characteristic of large GP-led secondary transactions, including the need to align the various interests of rolling LPs, incoming secondary investors, and the sponsor, as well as heightened scrutiny around disclosure, valuation, and recourse.

The Marsh team structured a tailored W&I solution capable of responding to either structure without compromising coverage quality or execution certainty. Achieving this required close coordination with legal advisers, underwriters, and investors, and a highly controlled syndication process engaging a select group of global insurers with proven appetite for large, complex GP-led secondaries.

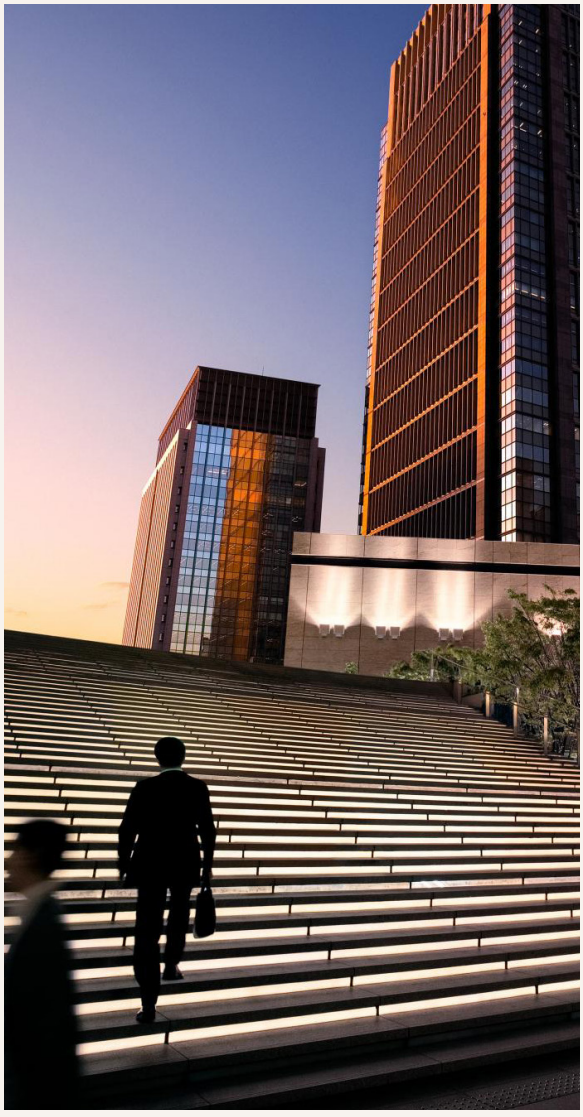
The result: a syndicated W&I program of approximately US$1.2 billion on a transaction with an enterprise value of approximately US$10 billion, the largest insured GP-led secondary transaction in Europe in 2025, delivered on commercially competitive terms with broad, insured-friendly coverage.

This transaction demonstrates Marsh's ability to deliver market-leading solutions in highly complex situations and against tight timelines at the very top of the secondaries market.

Marsh case study:

Structuring a tailored R&W solution for a North America GP-led continuation vehicle

Marsh advised a leading global private equity firm on placing representations and warranties (R&W) insurance for its first GP-led secondary and continuation vehicle, a transaction pivotal to the client's capital fundraising strategy. Drawing on deep market expertise, the Marsh team delivered a customised solution addressing unique deal complexities, reinforcing its role as a trusted advisor and market leader in this rapidly evolving segment of the private equity market.



Due diligence and insurer expectations

For secondaries transactions, a standard secondaries warranty pack is coverable on a fully knowledge-qualified basis without due diligence (just a short underwriting Q&A process).

For unqualified cover, insurers expect vendor due diligence to:

- Clearly verify financial, legal, and tax warranties
- Independently review material contracts and litigation exposure
- Align with the substance of the warranties actually given

Some insurers that are less familiar with secondaries can push for due diligence that mirrors a primary buyout process, yet in secondaries, timeframes are shorter, making insurer selection a key part of the broker's role.

The “actual knowledge” question: Why getting this wrong is costly



No structuring issue in GP-led secondaries is more frequently mishandled, or more consequential, than the definition of “actual knowledge” for W&I exclusion purposes.

Insurers typically seek to define knowledge as broadly as possible: attributing it not just to the GP’s deal team but to rollover LPs, wider fund personnel, and prior advisers. Left unchecked, the result can be a policy that appears robust but is materially diluted, with incoming investors finding their recourse restricted precisely when they need it most.

Key considerations include:

- Whether rollover LPs are deemed to have knowledge that might restrict cover
- How far the GP’s deal team’s knowledge extends when the continuation vehicle includes new external investors

Marsh’s position is clear: the actual knowledge exclusion should be limited to the lead investor’s deal team, the individuals with direct, firsthand knowledge of the transaction and the underlying assets. Rollover LPs, fund administrators, and prior advisers should be firmly outside the scope of the exclusion.

Achieving this requires early, direct engagement with underwriters and disciplined insurer selection. Not all markets approach this question the same way, and choosing the wrong one can compromise coverage before a single warranty is tested.

> For continuation vehicles, where incoming investors are committing significant capital on the basis of insurance-backed recourse, this is not a technical footnote. It is a material term.

Insuring LP-led transactions

Coverage tension in LP-led placements lies in the limited warranties available. Without a GP standing behind the portfolio, investors must rely on carefully structured insurance to provide the desired recourse.

Underwriters tend to scrutinise how the actual knowledge of LP sellers is defined, and ambiguity on this topic can directly undermine the enforceability of coverage.

Sponsors and buyers alike worry about legacy liabilities, such as tax, regulatory, or unfunded commitments, making contingent risk solutions alongside W&I increasingly critical in LP-led processes.



Contingent risk and tax insurance: Beyond W&I

Alongside W&I, contingent risk and tax insurance are becoming standard tools in secondaries and have grown substantially since 2022. In particular, they are used to cover:

- **Historic tax exposures**, for example, potential withholding tax liabilities or carried interest treatment in legacy structures
- **Litigation and regulatory issues**, particularly where legacy portfolio companies face ongoing disputes
- **LP clawbacks**, for protection against residual obligations under original fund terms

For investors, these policies provide comfort where due diligence identifies a "known issue" that would otherwise require GP indemnity or price adjustment.

Marsh has a market-leading tax and contingent risk insurance team made up of specialists across the globe.

Getting secondaries insurance right: what principals and counsel need to know

For secondaries principals, transactional risk insurance can be a genuine tactical edge, offering your IC enhanced warranty protection, accelerating execution in competitive processes, and reducing pushback on GP liability. Getting the most out of it requires a broker with deep secondaries experience who knows how to structure coverage, select the right insurers, and anticipate the issues that matter before they become problems.

For secondaries counsel, awareness of insurer appetite, including what underwriters will and won't accept on knowledge, disclosure, and warranty scope, directly affects what you can deliver for your clients. Early engagement with a broker that understands the secondaries market means fewer surprises, smoother negotiations, and better outcomes.

In both cases, broker experience and market relationships are not a commodity. They are the mechanism by which the needed protections can be secured.

Working with the right broker matters

Securing the right coverage for secondaries transactions requires a broker that understands the distinct dynamics of GP-led and LP-led processes, knows how underwriters are likely to approach key issues, and can coordinate W&I, tax, and contingent risk insurance solutions. Marsh's team of specialists has demonstrated experience across complex secondaries transactions, allowing us to support you not only in securing adequate coverage but in developing an insurance solution that is responsive to the demands of your deal.



Contact details

Europe
Hans Swolin
European Head of
Transactional Risk
+46 76 525 0141
hans.swolin@marsh.com

Germany
Philipp Giessen
Head of PEMA Germany
+49 1520 162 8261
philipp.giessen@marsh.com

Portugal
Sebastião Carvalho Lorena
Head of Transactional
Risk Portugal
+351 912 856 202
sebastiaocarvalho.lorena@marsh.com

Austria
Verena Krikler
Head of Transactional
Risk Austria
+49 644 8058 6569
verena.krikler@marsh.com

Ireland
John Small
Head of Transactional
Risk Ireland
+353 87 277 2450
john-w-f.small@marsh.com

Spain
Maria Peña
Head of Transactional
Risk Spain
+34 6 64 47 3203
maria.penagarcia@marsh.com

Benelux
Jess Hogan
Head of PEMA Benelux
+31 6 27 22 4773
jess.hogan@marsh.com

Israel
Peter Teishev
Head of Transactional Risk Israel
+972 52 684 0818
peter.teishev@marsh.com

Switzerland
(Kessler & Co Inc.)
Timo Salvisberg
Head of PEMA
+41 44 387 8934
timo.salvisberg@marsh.com

Central and Eastern Europe
Marcin Stoń
Head of PEMA CEE
+48 633 960 485
marcin.ston@marsh.com

Italy
Andrea Monticelli
Head of PEMA Italy
+39 342 110 8574
andrea.monticelli@marsh.com

France
Audrey Levy-Corcos
Head of Transactional
Risk France
+33 6 60 66 55 93
audrey.levycorcos@marsh.com

Nordics
David Lillo
Head of Transactional
Risk Nordics
+46 73 377 4280
david.lillo@marsh.com

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