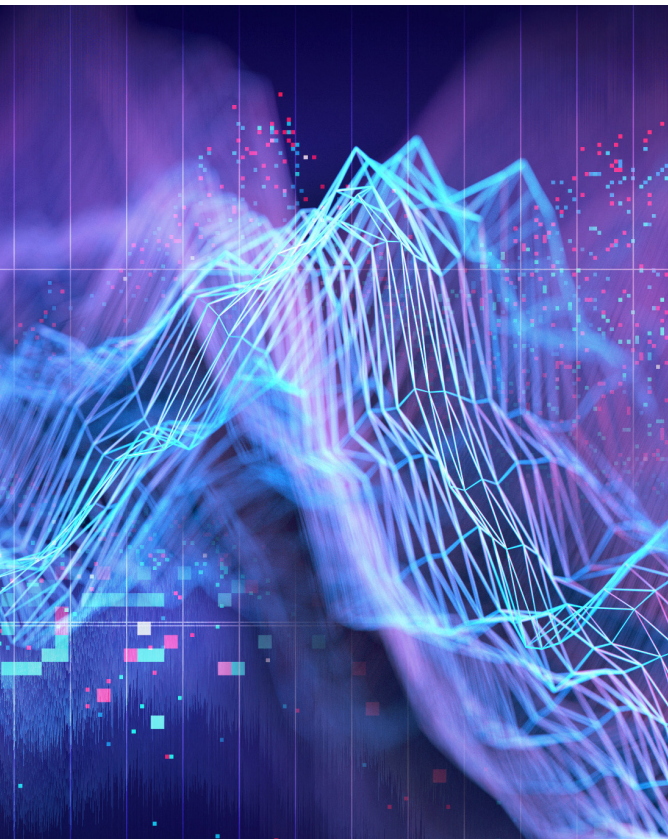


Italian Transactional Risk Insurance Market Report 2020

PRIVATE EQUITY AND M&A PRACTICE

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Data and Assumptions



Scope of Work and Data Request

The scope of the analysis was to draw a picture of the overall Transactional Risk Insurance (TRI) market in Italy.

The focus is on Warranty & Indemnity (W&I), Title, Specific Risk and Environmental M&A policies placed for Italian transactions having Closing in 2020 and an Italian entity as Target Company under the Acquisition Agreement.

Data requests to Insurers were:

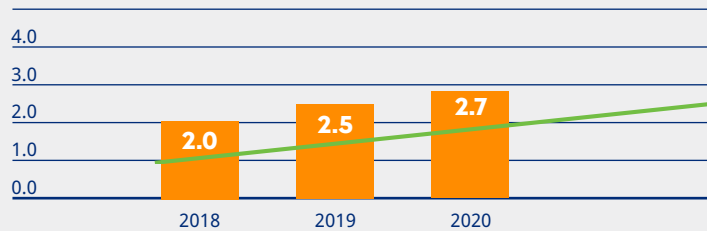
- 1. Number of Insurance Policies booked.**
- 2. Total Capacity (Limit of Liability).**
- 3. Distinction between Corporate or Private Equity vehicle as Insured.**
- 4. Claims opened and payed in 2020.**
- 5. Reference to the Industry over Total.**

Assumptions and Method

- When not provided, average rate has been computed.
- Average Limit was computed as Total Limit divided by the number of Policies (both figures provided by Insurers).
- Average Premium was computed as Total Premium divided by number of Policies.
- Rate was computed as Average Premium divided by Average Limit.
- Percentage of Private Equity (PE), Corporate, and relevant Industry was computed using totals only with reference to W&I.

Transactional Risk Insurance Market vs Italian M&A Landscape

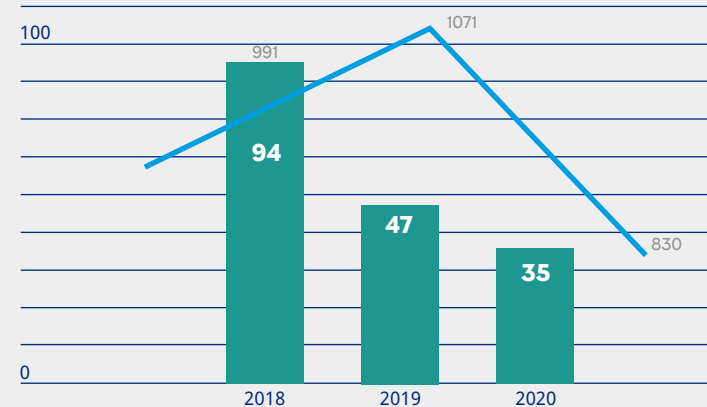
01| TRI Numbers on Italian M&A Activity



Source: AIFI, Beebez.it, Industriaitaliana.it, KPMG, Mergermarket, PwC

Insurance Capacity (€ bn)
Policies Number

02| Italian M&A Activity



Source: AIFI, Beebez.it, Industriaitaliana.it, KPMG, Mergermarket, PwC

Value (€ bn)
Transaction Number

KEY TO UNDERSTANDING

- Because of global pandemic situation, Italian M&A activity fell by 30% in 2020 by value, while the number of transactions stayed strong despite decreasing by 25% compared to 2019. Average transaction value plunged for both PE-related and industrial M&A activity.
- Italian private capital operators sit on EUR 14bn dry powder, however this could be potentially balanced by a tighter credit cycle.
- Covid-19 had impacted on deal making activity in the short term due to target's valuation issues, stop or slowing down of due diligence activities. However, stock market decline might offer public-to-private opportunities or distressed initiatives.
- In Real Estate market, the investment reduction was about 25% compared to a year 2019, which it had reached record figures in our country. The data on investments in 2020 is in line with the historical average recorded between 2015 and 2018.

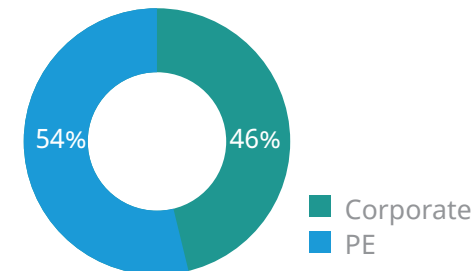
The Italian Market for Transactional Risk: W&I focus

Italian Market Numbers	2020	2019	% of change
Total Policies Underwritten in Italy	107	105	+1,90%
Total Market Underwritten Limit	€ 1.538.000.000	€ 1,500,000,000	+2,5%
Total Premium	€ 21.300.000	€ 20,500,000	+4%
Average Limit	€ 14.373.831	€ 15,000,000	-4%
Average Rate	1.38%	1.38%	//
Average Premium	€ 199.065	€ 190,000	+5%

Insured's Nature

(on Policies number)

	2020	vs 2019
Private Equity Deals	63	+9%
Corporate Deals	44	-6%



KEY TRENDS

- Increase of the total number of policies compared to 2019.
- Despite the decrease in the number of mega-deals, we have nevertheless witnessed an adjustment of the insured limit.
- Low limits prevail in the energy, real estate, corporate industry transactions.
- Feed-in tariff cover still a must have in renewable energy transactions.
- Real estate deals are the main contributors to the general increase in the number of insured transactions.
- During 2020, the Private Equity funds closed around 4% fewer deals than in 2019. However, the policies underwritten by Private Equity Funds increased by 9% in 2020 compared to the consolidated data in 2019.

New Frontiers and Italian market Trends

W&I Trends

- Lower limit of liability applied in real estate compared to other industries, but larger deal value due to frequent combination with title and / or known risks insurance policies.
- Covid-19 implications have led to greater underwriting focus on employees, health & safety matters and supply chain structure (especially on contracts and risk of disruption).
- During the pandemic period, the timeline of the transaction become more stringent as there was uncertainty in the future, due to socio-political causes because of the health crisis. However, to date, we are recording an expansion of the timing, due to the lengthening of negotiations both between the parties and with the insurers.
- Nil recourse customary in PE-driven transactions, corporate deals often foresee a two fold mechanism where W&I policy and vendor's cap go in parallel.
- Nil deductible in real estate transactions and the lowest applicable in renewable deals.

W&I Claims Trends

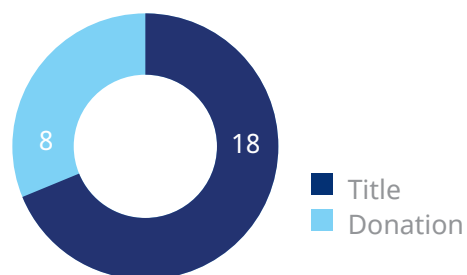
- There are several numbers of settled payed claims for a total of approx. € 11,500,000 in 2019. Instead, there were no major claims paid in 2020.
- The largest claim settled in 2019 was paid for an amount equal to € 3,100,000.
- In 2020 the 35% of claims notification evolved in an effective opened claim.
- Financial Statements and Tax are the matters with most claims registered in 2020.



The Italian Market for Transactional Risk: Title Insurance Providers

Italian Market Figures	2020	vs 2019	% of change
Total Policies Underwritten in Italy	26	27	-3%
Total Market Underwritten Limit	€ 1.024.000.000	€1,000,000,000	+2,4%
Total Premium	€ 2.646.000	€ 3,646,000	- 27%
Average Limit	€ 39.384.615	€ 40,480,000	-2,7%
Average Rate	0,60%	0.30%	+1%
Average Premium	€ 94.615	€ 130,800	-27%

Title Policies inclusive of Donation over the shares / Real Estate



KEY TRENDS

- Slight decrease of the Title Insurance coverage in the Real Estate and Corporate deals.
- Italian governing law customarily adopted.
- Arbitration seat in Italy and under Italian Civil code customarily requested by clients.
- Increased competition between W&I and title providers to top-up fundamental warranties.
- Clients comfort is provided by the availability to include the reps under the SPA in the Title Policy.
- One of the benefits of executing a Title policy is that you get more coverage period in favor of Fundamental Warranties than that offered by the W&I Policy. In light of this, Title Policy will cover Fundamental warranties for a period up to 10 from the Closing.
- In the pandemic economic uncertainty, some Italian family companies prefer to dismiss their assets. Indeed, in the last period there has been a strong increase in policies to cover the donation risk to cover both shares donated and portions of assets donated.
- Due to the pandemic uncertainty, purchaser pay more attention in order to obtain coverage on contingent risk as identified in due diligence report. The focus was on Title coverage to guarantee the "usocapione" risk.

The Italian Market for Contingent Risk Solutions: Environmental M&A & Tax Insurance policy

LBO and Contigent Risk 2020

Litigation Buy-Out	1
Specific Risk	7

Environmental M&A Focus 2020

Total Policies Underwritten in Italy	4
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Tax Indemnity Focus 2020

Total Policies Underwritten in Italy	2
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KEY TRENDS

ENVIRONMENTAL M&A INSURANCE POLICY

- Surge of environmental M&A insurance, especially in the real estate sector.
- Only for Environmental M&A Insurance Policy the inclusion of clean-up costs and extension to asbestos in case of pollution event are major enhancement under the policy.
- Unlike the W&I policy, the Environmental M&A policy covers the specific environmental risk (presence of asbestos and possible remediation), otherwise excluded from the scope of coverage of W&I.
- In addition, the Environmental policy allows retrospective coverage (subject in any case to the presence of certain characteristics).

TAX INSURANCE POLICY

- Increase of Tax Indemnity requests by the clients during Real Estate and corporate deals.
- Generally Tax Policies should not be subject to another jurisdiction than the local law of the risk.
- Affirmative tax cover or standalone tax policies offered along standard W&I policy.
- In some cases, the Insurers are willing to increase the coverage period up to a maximum of 10 years (subject to specific risk characteristics and blessing of Capacity Providers).

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