

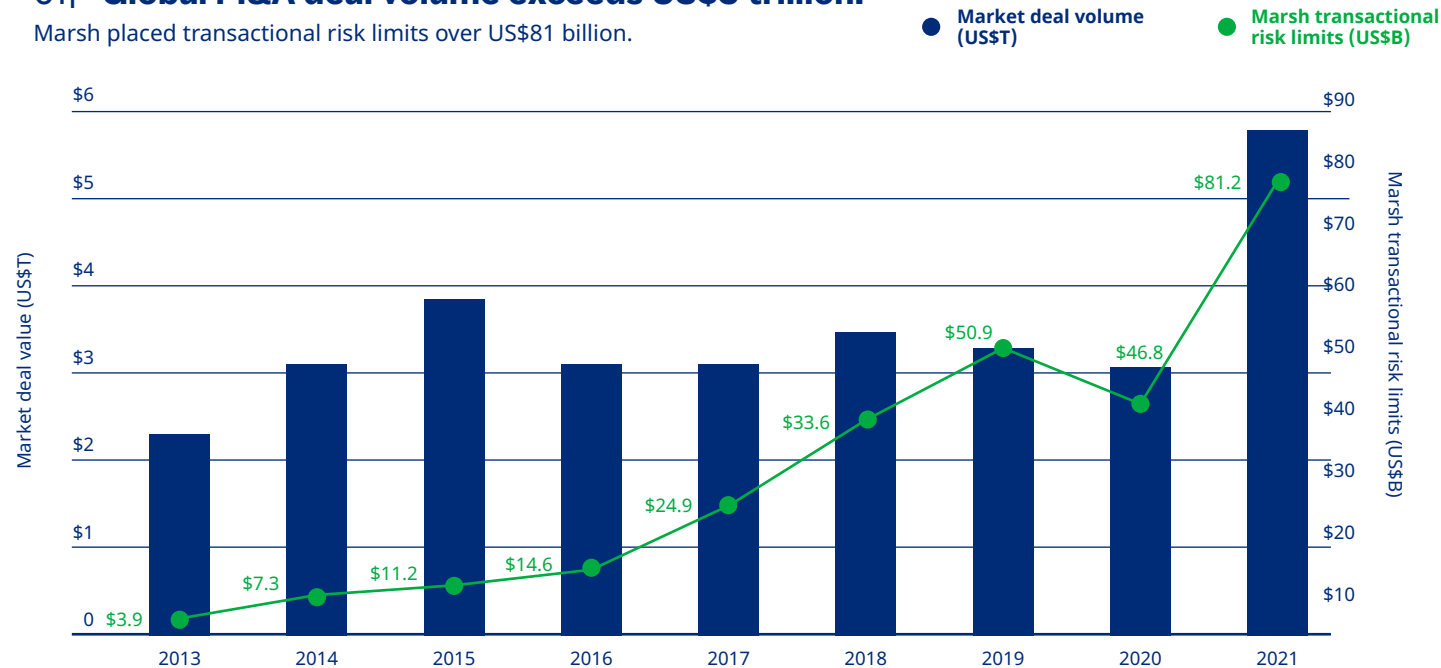
Transactional risk insurance 2021: Year in review

Mergers and acquisitions (M&A) snapshot

Last year was an extraordinary year for mergers and acquisitions across many regions and industries. Global M&A activity set new records in terms of the number of deals and total deal value, which exceeded US\$5.9 trillion across 63,000 transactions — an increase of 64% on the previous year (see Figure 1). The fourth quarter marked the sixth consecutive quarter with deal values over US\$1 trillion, reaching US\$1.5 trillion in the quarter alone.

01| Global M&A deal volume exceeds US\$5 trillion.

Marsh placed transactional risk limits over US\$81 billion.



*All values in \$US unless otherwise noted



A combination of favorable deal environment factors remained intact throughout 2021, including persistently low interest rates, robust uninvested private equity funds, strong strategic investor balance sheets, responsive credit markets, and the rising number of special purpose acquisition companies (SPACs). All these elements led to fierce competition for assets and record levels of announced and completed transactions.

Transactional risk insurance placements by Marsh globally reflected the backdrop of the favorable M&A market, coupled with the increasing adoption of the product by financial sponsors and strategic investors, alike. Marsh results showed accelerated growth with substantial increases in aggregate limits placed (up 73%) and the number of insured transactions (up 79%). The purchase of transactional risk insurance continues with parity between both private equity and strategic investors, as they represented roughly 51% and 49% of placed limits, respectively.

Global trends

Transactional risk insurance includes policies that cover risks related to M&A, such as representations and warranties (R&W) insurance (also known as warranty and indemnity (W&I) insurance), tax insurance, and other types of contingent liability insurance.

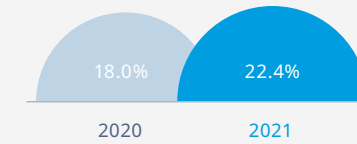
In 2021, transactional risk insurance limits placed globally by Marsh totaled US\$81.1 billion — an increase of 73% on the previous year (see Figure 2). These limits were spread over more than 3,000 policies on over 1,900 transactions — an increase in deals of 69% from the prior year.

Transactional risk insurance capacity continued to expand in 2021 with almost 40 underwriters (both company markets and managing general agents) offering primary terms for coverage globally. Overall capacity can support limits in excess of US\$1 billion for a single transaction, depending on region and deal parameters.

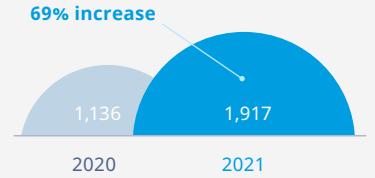
02 | Transactional risk insurance limits placed by Marsh increased 73% year over year



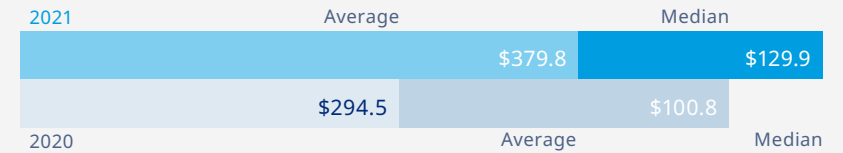
Limits placed as a percentage of enterprise value



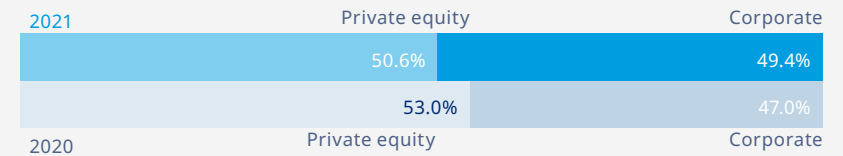
Number of deals



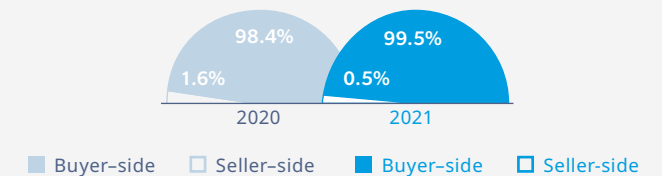
Enterprise value (US\$M)



Private equity vs corporate



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



North America

Amid the extensive M&A growth in the region, Marsh placed coverage for 999 transactions in 2021 — a 71% increase on the previous year. The North America team placed 1,847 combined primary and excess policies in 2021 — amounting to a 78% rise over 2020. These policies represented US\$37.86 billion in limits — nearly doubling the limits placed, year on year.

Deal activity was robust throughout the year, with each quarter's results materially outpacing the corresponding quarter in 2019 and 2020. The fourth quarter saw record performance with 366 deals closed — a 41% increase from the same quarter in 2020.

NOTABLE 2021 TRENDS

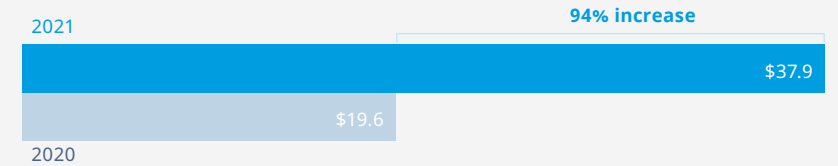
“Surge pricing” amid prolific deal activity

After a slight increase in rates for R&W insurance in 2020 in North America, primary layer R&W pricing jumped over 40% year on year. Last year was the first in over a decade where average primary rates sat above 4%. The price rise can be attributed, in part, to the growth in both the frequency and severity of claims. However, the principal reason for the magnitude of the 2021 increase was “surge pricing” during the flood of deals in the second half of the year, particularly in the fourth quarter, which was exacerbated by the limited pool of underwriters. We expect the high-rate environment to persist in the short- to medium-term, although the presence of recent market entrants and corresponding capacity could help reduce pricing pressure, to some extent.

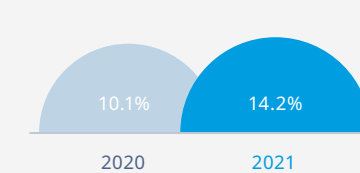
Insurers struggle to meet client demand

Client demand for transactional risk insurance increased dramatically in North America during 2021 and insurers, while continuing to show their commitment to the sector, struggled to meet this demand — particularly during the fourth quarter. Even with new underwriting organizations — such as Mosaic Insurance and RiskPoint — entering the North American market in 2021 and existing insurers deploying capital without interruption, demand for transactional insurance overwhelmed underwriters. As a result, Marsh saw insurer declinations increase well above historical norms, which have not previously exceeded 50%. While most insurers have confirmed their intent to add underwriting staff during 2022, we anticipate the human capital shortfall to persist in the short- to medium-term.

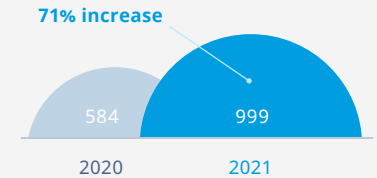
03| North American limits placed (US\$B)



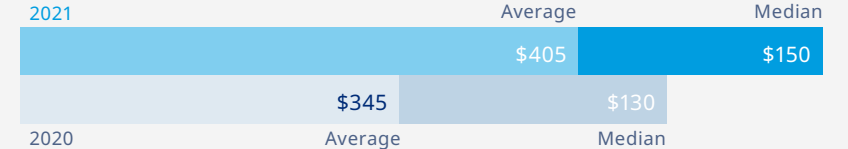
Limits placed as a percentage of enterprise value



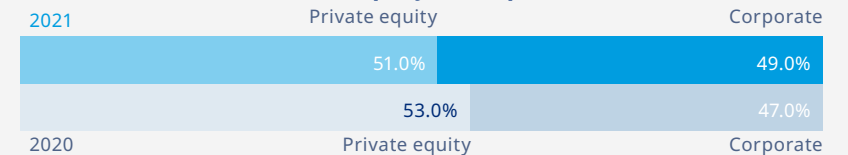
Number of deals



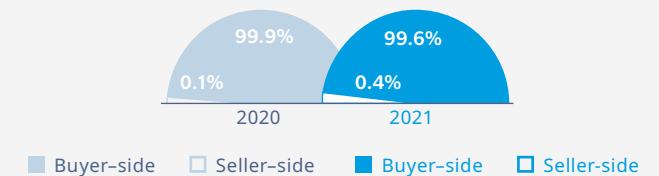
Enterprise value (US\$M)



Private equity vs corporate



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





Total insurer capacity in North America continues to exceed US\$1 billion in limits for any single transaction and nearly 25 underwriters are presently offering terms on a primary basis.

Increase in transaction size and limits purchased

For Marsh's North American portfolio, median transaction size expanded to US\$150 million last year, up from US\$130 million in 2020, while average transaction size rose to US\$405 million, up from US\$345 million, over the same period. This was due to a pronounced increase in utilization of transactional risk insurance on larger deals, with the number of placements made on deals in excess of US\$1 billion in enterprise value more than doubling from the prior year.

While median policy limits — as a percentage of enterprise value — remained steady across Marsh's portfolio in North America at 10% in 2021, average limits purchased — as a percentage of enterprise value — increased significantly to 14.2% up from 10.1% in 2020. Last year, we witnessed sharp divergences in the relative amount of limits purchased depending on the size of the deal. For smaller deals — below US\$50 million in enterprise value — buyers purchased limits on average equal to 22.4% of enterprise value. For midsize deals — US\$100 million to US\$250 million in enterprise value — they bought coverage limits on average equal to 12.6% of enterprise value. For large deals — US\$2 billion or more in enterprise value — buyers purchased limits on average equal to 6.8% of enterprise value.

Private equity firms continued to represent a slight majority of insureds in programs placed by Marsh — purchasing approximately 51% of all policies. Still, the trend of corporate and strategic buyers increasing their usage of transactional risk insurance — and purchasing more limits than private equity firms on similarly sized deals — continued in 2021, and we expect 2022 to bring more of the same.

No seller indemnity structures

A long-term trend that persisted in 2021 is the significant increase in number of transactions that feature no seller indemnity, meaning that the seller does not have any contractual liability to the buyer for breaches of representations and warranties, other than fraud. This structure — also known as a “public-style” deal — historically represented a small fraction of the overall private company transaction universe and was typically reserved for very large transactions, generally US\$1 billion or more of enterprise value. However, it has become far more prevalent in recent years, driven by usage in smaller transactions — some even valued at less than US\$50 million. For the first time, in 2021 more than half (52%) of the transactions in Marsh's US and Canada transactional risk portfolio featured no seller indemnity structures, up from under 25% in 2015. We anticipate that this trend will continue in the short- to medium-term and we will see more no seller indemnity transactions.

Deductibles remain stable

Deductibles held steady at approximately 1% of enterprise value for most transactions in the middle market, with a dropdown feature to 0.5% of enterprise value at the 12-month anniversary of closing. On larger transactions — those with enterprise values of US\$400 million or more — it is common for the deductible to be 0.75% of enterprise value, or possibly even lower on transactions with an enterprise value in excess of US\$2 billion.

Tax insurance

Tax insurance policies bound by our North America team in 2021 were up significantly from 2020. In line with the strong increase of volume in R&W coverage, there was a material increase in M&A-related tax insurance policies, as compared to prior years. Indeed, the number of policies, and limits placed for M&A transactions was significantly higher in 2021, as compared to 2020 and 2019, and continues the trend of a higher concentration of M&A-related tax insurance placements reflecting an increased adoption in utilization of tax insurance.

Utilization of tax insurance in the renewable energy sector was mixed. There continued to be strong demand for coverage focused on tax basis for investment tax credit projects, and these were predominantly solar energy investments. While usage of tax insurance in connection with M&A deals increased in 2021, renewable energy production tax credit insurance activity was softer than in 2020. The third principal area of tax insurance policies — those placed to allow corporates to manage balance sheet tax risks — remained flat, year over year.

In 2021, we continued to see new, tax-dedicated underwriters enter the market, and numerous additional transactional risk players participate on large tax insurance towers, resulting in downward pressure on premium rates and increased flexibility on policy terms. Such trends stood in stark contrast to the experience in the R&W insurance space. In fact, the rate on line (ROL) for tax insurance policies decreased from 2020, with primary rates settling below 3% by the end of 2021. In light of the increasing delta between pricing on tax insurance policies, relative to R&W insurance policies, we expect an uptick in tax insurance pricing in 2022.

Claims

In 2021, Marsh clients submitted 155 claims to R&W insurers on 94 transactions in North America. These figures represent a shift downward from the 256 claims submitted on 132 transactions during the 2020 calendar year. The impacts of Covid-19 likely played a role in the reduced number of claims submitted in 2021 compared to 2020. Given the increased volume of placements in 2021, we expect the number of claims to rise in the coming years in line with the overall expansion of the number of transactions insured.

In the last two years alone, R&W insurers paid approximately US\$160 million to Marsh clients in North America — representing over US\$200 million in recognized loss.

Of the claims noticed during 2021, the most common type of breaches related to financial statements (18%), employment (16%), environmental (15%), and compliance with laws (14%). These figures are generally consistent with prior years, though there were fewer claims related to tax breaches and more claims related to environmental breaches in 2021. The environmental claims last year, however, consisted of multiple claims made on only a small number of transactions, so we do not expect this trend to continue in future years.

OUTLOOK FOR 2022

M&A activity levels in North America are expected to remain robust in 2022, with private equity firms in the region sitting on more “dry powder” than ever before. We anticipate that transactional risk insurance will remain a key component on deals in North America, with insurers expanding their underwriting teams to meet demand, following the shortage of underwriters last year. We anticipate that the heightened premium rating environment seen in the second half of last year will continue in the short term, though we do anticipate rates will decrease from fourth quarter 2021 levels, during the course of the year. Insurers will be more focused on disciplined underwriting and exposure management, based on the market’s recent claims experience.



Latin America

Both buyers and sellers continue to explore using transactional risk insurance in Latin America, despite the limited market in the region for these types of policies. Marsh placed policies in 2021 for assets in Latin America, including on risks located in Brazil, Colombia, Mexico, Argentina, Chile, Guatemala, Puerto Rico, and Uruguay. Although, at present, there is no local underwriting capacity in the area, more than nine insurers have expressed interest (via their hubs in New York, London, and Spain) in underwriting Latin American transactional risk. Given the high levels of M&A activity in the region in 2021 — Refinitiv estimates mergers and acquisitions in Latin America reached above US\$105 billion in the first nine months of the year, the highest volume in a decade — new entrants into the space are expected over the course of 2022, resulting in increased capacity. Generally, purchase agreements with a North American, European, or Asian buyer — written in accordance with either New York, English, or Spanish law — tend to be more insurable. Premium rates are usually higher than those in the North American market — ranging between 5–7% — given the higher risk associated with M&A activity. Policies normally include exclusions for corruption, in addition to market exclusions and heightened examination of tax and labor issues.

EMEA

In 2021, there was a significant increase in the use of transactional risk insurance in Europe, the Middle East, and Africa (EMEA), driven by the underlying record M&A volumes in the region. Across EMEA, Marsh placed close to 1,000 transactional risk policies for deals with an aggregated enterprise value in excess of US\$277 billion and with total limits in excess of US\$35.9 billion — representing a policy count growth across the region of close to 74%. W&I insurance represented the vast majority of solutions placed, however, we saw a marked increase in the number of tax and contingency solutions used, demonstrating the ongoing diversification of the transactional risk insurance market.

NOTABLE 2021 TRENDS

Price rises at the time of capacity constraint

As a result of the heightened demand for W&I insurance across the region, especially in the fourth quarter of 2021, insurers were more selective as to which transactions they quoted and the latter part of the year saw a material increase in pricing. The rise in demand also led to an increased inability on the part of insurers to support multiple bidders on “clean team” trees, and certain insurers refused to engage with non-exclusive bidders. We anticipate this trend diminishing through 2022, as underwriting capacity expands — although transaction timetables are expected to remain compressed in the year ahead, due to the continued competitive seller M&A market conditions.

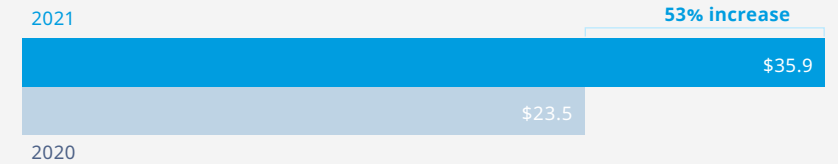
Larger deal sizes

There was a significant increase in the average transaction size in 2021, following a decline in larger transactions during the prior year, as a result of the Covid-19 pandemic. The average deal value was US\$370 million — an increase of 64% on 2020. More substantial “mega” deals — transactions with enterprise values in excess of US\$10 billion — were also insured. This reflects insurers’ growing comfort with covering transactions of this scale.

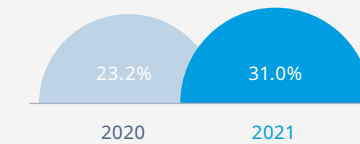
Programs used multiple insurers

In 2021, insurers increasingly focused on reducing their exposure to a single transaction, with lower limits of insurance offered on each deal. As a result, programs of insurance syndicating capacity from multiple insurers were increasingly more common across EMEA, particularly on private equity, mid-market transactions, where historically insurance has been placed with one insurer. We expect this trend to continue in 2022.

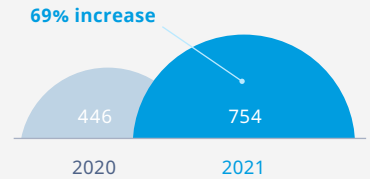
04| EMEA limits placed (US\$B)



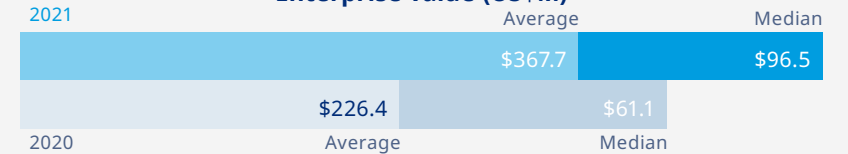
Limits placed as a percentage of enterprise value



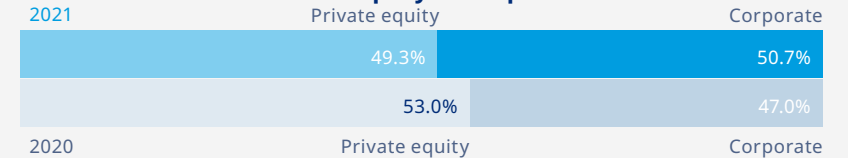
Number of deals



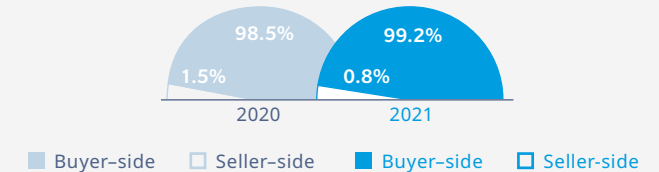
Enterprise value (US\$M)



Private equity vs corporate



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





Insurance used for identified risks

There was a significant increase in insurance capital being used to effectively ring-fence identified issues. This was partially due to the inability of bidders to negotiate contractual protection from sellers amid highly competitive sale processes. There was a substantial increase in the number of tax insurance placements, as well as in placements to cover other types of non-tax identified, contingent liability issues. Examples of the latter included insuring the outcome of planning permit challenges on construction projects and the availability of government subsidies.

Corporate insureds increase

Heightened insurance activity was also, to a large extent, driven by private equity players, but roughly 51% of all insureds were strategic corporate buyers, up from 47% in 2020.

Widened geographical insurer appetite

Insurer appetite continued to widen for transactions in Eastern Europe, Israel, Africa, and the Middle East, amid significant M&A activity in each of these regions. Historically, it has been challenging to find cover for transactional risk in these locations.

Claims

Across the EMEA region, and beyond, the pandemic has had a diverse impact on the claims landscape. In the UK and Ireland, there was a general slowing of claims notifications over the course of 2020, and into 2021, which was reflective of the state of the global economy and lower M&A activity levels in early 2020. However, over the same period, there was a material increase in claims notifications and claims payments in Continental Europe where notifications increased by 44.8%.

In view of the renewed M&A activity and unprecedented numbers of W&I policies placed in 2021, we anticipate a significant upturn in both notifications and payments by mid-2022, and well into 2023, across the EMEA region. Insurers, particularly those newer to the market, are expected to deal with claims more expediently and cost efficiently, which could result in a faster claims settlement process. In 2021, we saw some significant claims payments made by insurers, including several individual payments, in excess of US\$20 million.

OUTLOOK FOR 2022

Current activity levels across all EMEA jurisdictions are expected to continue to remain high, particularly in the next few months. New transactional risk insurance entrants are generating intense competition between insurers and an increase in overall market capacity. Consequently, the heightened premium rating environment seen in the first half of 2021 will likely not be sustained over the long term. However, we expect elevated premium levels to continue in the short- to medium-term, in light of the robust activity.

The practice of formally “stapling” an insurance package to an auction process is predicted to become more common throughout the EMEA region. This practice is often used in the UK, the Nordic countries, and the DACH region (Germany, Austria, and Switzerland), as sellers look to run expedited sale processes and maximize competitive tension between bidders, while at the same time optimizing the ultimate coverage position and reducing any execution risks.

Insurers will be more focused on exposure management, meaning many will continue to deploy lower limits for any one transaction. We also expect more insurers to develop a wider contingency liability insurance offering to solve identified issues, above and beyond identified tax issues, which are now regularly solved with stand-alone tax insurance policies.

Asia

Asia saw a large uptick in M&A activity in 2021 in line with the rest of the world, resulting in a capacity shortage in the region's W&I insurance market. This, in turn, led to a general increase in average rates.

Following a fairly slow year in 2020, largely due to the Covid-19 pandemic, deal count increased from 87 to 127 last year, an uptick of 46%, with India, Japan, and the Association of Southeast Asian Nations (ASEAN) making up the bulk of that deal activity. Sector-wise, most deals took place in real estate, manufacturing, and the media, telecoms, and technology industries. South Korea also saw a number of deals in the waste and recycling sector — notably the country's busiest sector in 2021.

Rates rose significantly last year, when compared to 2020. As in other regions, insurers' capacity to service deals was stretched for most of the year (particularly in the second half) and the market faced an insurance supply crunch. Average rates increased generally across Asia — from 1.60% to 2.25%, year on year. The increase was particularly pronounced in India and Greater China, where average rates rose year on year from 1.50% to 2.60% and 1.40% to 2.63%, respectively.

Average insured deal size also increased sharply from US\$295 million to US\$360 million in 2021 — returning to near pre-Covid-19 levels. Notably, large deals in excess of US\$1 billion made a comeback last year, after the effects of the pandemic resulted in deals in this size bracket drying up in 2020.

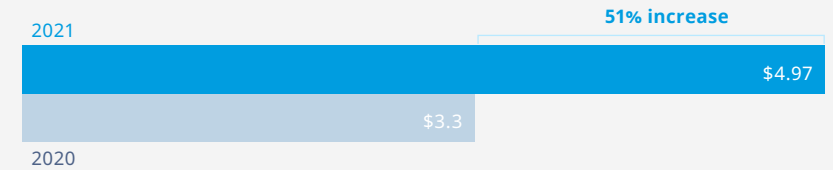
Average limit and average retention remained stable amid the unprecedented deal flow. Average limits across Asia were 23.6% of deal value — with this percentage decreasing as the deal value rose. The average retention for 2021 was 0.64%, which takes into account lower (or sometimes no) retention on real estate deals, in addition to the higher-than-average retentions in higher risk jurisdictions and sectors.

NOTABLE 2021 TRENDS

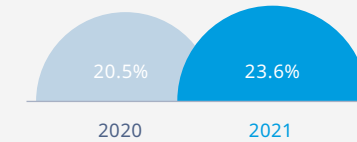
Domestic W&I cover proves popular in Japan

In 2021, the number of domestic W&I insurance policies placed with local insurers in Japan increased almost tenfold. While comparable in coverage to "international" W&I insurance policies, the relatively new local offering is targeted at small- to mid-cap domestic Japanese deals. These policies have also been welcomed by domestic M&A players who are more comfortable having the entire underwriting process and communication with insurers carried out in Japanese. This circumvents requirements imposed by most international W&I insurers for translation of Japanese language sale agreements and due diligence reports for underwriting purposes.

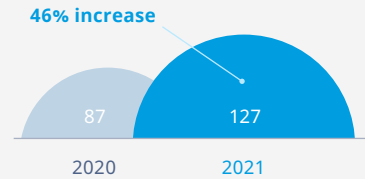
05| Asia limits placed (US\$B)



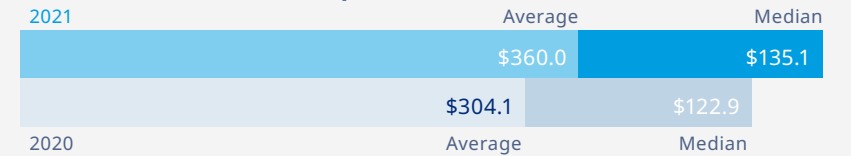
Limits placed as a percentage of enterprise value



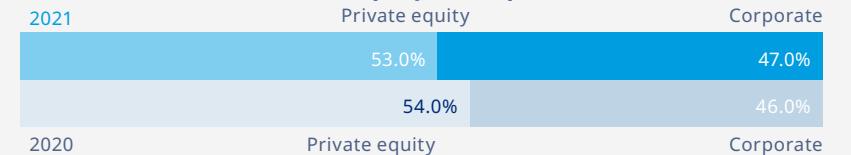
Number of deals



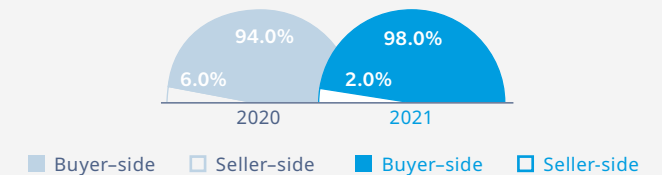
Enterprise value (US\$M)



Private equity vs corporate



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



Reduced appetite for Chinese deals

Demand for W&I insurance on M&A deals in China remains healthy. However, insurers have become more cautious on quoting for such deals. This is due to an increase in regulatory uncertainty brought about by current events, the recent challenges faced in the property market, and tightening of the regulation of internet-oriented technology enterprises, private education firms, and other sectors. Insurers are expected to adopt a “wait-and-see” approach, while continuing to decline a higher number of M&A deals than in previous years, and to quote higher pricing across all sectors for deals that remain within appetite.

Increase in tax policies

The number of tax policies placed to cover Asian tax risk has increased substantially. Specifically, there is a considerable growth in interest with respect to tax risks. In Asia (excluding India), the number of tax policies has increased by close to 300%, from 2020 figures. It is expected that this trend will continue as tax laws are becoming more complex and taxpayers continue to look for innovative solutions to manage their tax risks.

Claims

In 2021, we reported a lower claims rate in the region than usual, with 12.5% of deals placed receiving a notification. This was just under a 4 percentage point decrease on 2020 and 2019, when a 16% rate of claim, per deal, was reported.

Overall, we note that claims activity in Asia has remained largely consistent for the past three years. In this regard, it is unsurprising that tax breaches accounted for more than half of W&I claim notifications in 2021 across Asia — and double the number of financial statements breaches reported in the year. This continues a trend we first observed in 2019.

Tax issues will continue to crop up, especially in the historic corporate tax filings of targets, where it may take a few years for tax authorities to close off their reviews of these returns. Buyers are recommended to ring-fence identified tax issues and consider risk allocation, including via liability policies, if suitable. On that front, our rate of notification for tax-specific liability policies continues to grow, as clients become more adept at understanding and utilizing the product.

OUTLOOK FOR 2022

Rates are likely to remain elevated in 2022, if demand for W&I insurance continues to exceed insurer expectations, due to greater competition for scarce underwriting resources. Certain services, such as having separate trees for multiple bidders in auction deals and pre-exclusivity underwriting, may not always be available. Insurers are likely only to be able to offer this support on a case-by-case basis, depending on their available capacity, at the relevant time.

Clients should also engage with Marsh and insurers at an early stage of a transaction to ensure that a policy can be placed within the desired deal timetable, as insurers servicing Asia may not have the bandwidth to quote or underwrite a deal at short notice.



Pacific

M&A activity involving Australian companies in the Pacific region totaled US\$329.2 billion in 2021, according to Refinitiv. This represents a nearly six-fold increase compared with the preceding year, eclipsing the previous high-water mark of US\$139 billion set in 2007. The strong bounce back, after a quiet 2020, was due to a number of factors. First, Australia and New Zealand successfully managed the first wave of the pandemic, allowing for robust economic recoveries in 2021. Second, large infrastructure deals became more common, partly due to superannuation and pension funds taking advantage of low interest rates to invest in assets with stable long-term returns. Third, after would-be buyers exercised a reasonable amount of caution in 2020, pent up demand and a large amount of impatient capital fueled a frenzy of buying activity. In concert, these factors formed the perfect storm for a supercharged deal environment in what ended up being a record-setting year.

Demand for W&I insurance and reliance on the product to facilitate transactions also reached unparalleled levels in 2021. Over the course of the year, Marsh arranged US\$2.5 billion in limits of liability for our clients, an increase of 382% on the limits placed in 2020. In line with broader market conditions, this rise was due, in part, to the high number of large deals (those greater than US\$1 billion in deal value) we worked on in 2021. We also placed insurance for more than three times the number of deals bound in 2020, with the median deal value for insured transactions being just over US\$212 million.

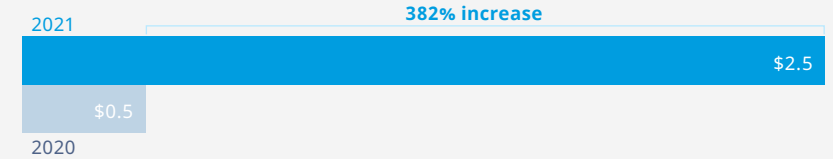
The average premium rate in 2021 was 1.51%. This is higher than in recent years, due mainly to the W&I market straining under the sheer weight of deals seeking W&I insurance, particularly in the third and fourth quarters. Insurers were taken by surprise by the unrelenting demand which caused capacity and bandwidth constraints, and led to steeper pricing across the market.

NOTABLE 2021 TRENDS

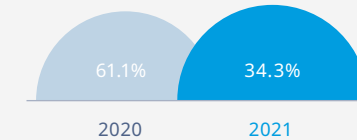
W&I insurance used for public deals

W&I insurance has become a common consideration for public transactions initiated under a scheme of arrangement, whereby a level of cooperation between the target and bidder enables the W&I process to be integrated within the deal structure. The growing reluctance of buyers to accept terms with no recourse against the selling shareholders has resulted in W&I insurance playing a critical role in de-risking these transactions and protecting the purchase price. In 2021, the combined deal value of public transactions insured through Marsh was US\$4.5 billion and the average limit placed per deal was US\$277 million.

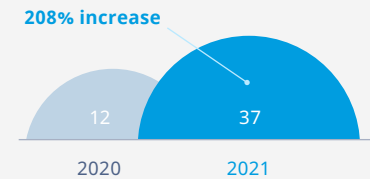
06| Pacific limits placed (US\$B)



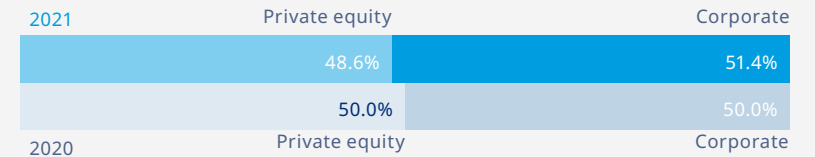
Limits placed as a percentage of enterprise value



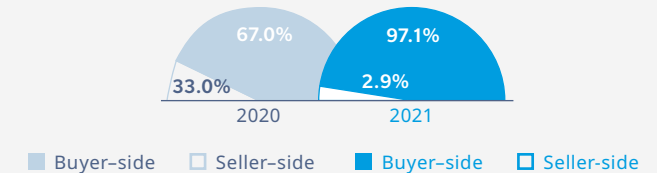
Number of deals



Private equity vs corporate



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





Companies turn to W&I insurance

Private equity funds were early adopters of the W&I product. In recent years, however, W&I insurance has gained widespread popularity among other companies, ranging from small businesses, to the top Australian Stock Exchange (ASX)-listed corporate groups. Companies have become more sophisticated in how they utilize the product, and many have used W&I insurance to strategically aid the M&A process. In 2021, for the first time ever, our team was engaged by nearly twice as many corporates as private equity funds.

Claims

Claim notifications have increased twofold during the last three consecutive years, with nine claims filed with insurers in 2021. This is largely a function of the growing number of policies placed, as well as insureds becoming more sophisticated and aware of how their policy should respond when losses arise post-transaction. Consistent with recent years, the most common areas of warranty breach related to financial accounts, tax, and employment.

OUTLOOK FOR 2022

Despite potential interest rate rises, we expect M&A activity to continue its strong run in the near term, with the market remaining buoyant on account of positive investor sentiment and the substantial uninvested capital yet to be deployed. With W&I insurance now being relied upon for a wider variety of deal types, and across all sectors, we foresee high demand for the product continuing unabated throughout 2022. Meanwhile, insurers are showing a renewed appetite to support deal participants, which should result in a robust W&I marketplace this year.

Conclusion

Last year proved to be a challenging year for the transaction risk insurers, notably so in the second half, as global demand pressed the capacity and execution capabilities. That demand is self-evident, as the global placements completed by the major markets rose to new heights. Transactional risk insurance remains an established deal solution in the M&A marketplace, seeing wider adoption across industries, geographies, and transaction sizes. Tax and contingent risk insurance solutions continues to expand their role in the transaction environment and we anticipate that this trend will persist.

Pricing increases were universal last year, while varying across geographies. Capacity constraints compounded the rate increases, so we anticipate some rate moderation in the medium term, as deal activity normalizes, annually allocated capacity is reopened, and new market entrants begin writing business. Overall capacity expansion is likely in 2022, along with modest pressure for rate relief and continued policy innovation. Claim notifications are rising, and the speed of notification is accelerating, but time will tell how these correlate with payment dollars. It is logical to assume claims activity will rise based on transaction volume, and the increased number of transactions alone.

Last year has demonstrated that transactional risk insurance is a highly responsive, as well as important and growing, part of the M&A deal environment and we expect this to continue moving forward.

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