MARSH INSIGHTS:

MIDYEAR TRANSACTIONAL RISK REPORT 2015

GLOBAL:

Demand for transactional risk insurance continued to grow during the first half of 2015, with an overall increase of 15% year-on-year in terms of limits placed by Marsh.

"The demand for transactional risk insurance on mergers and acquisitions (M&A) transactions continues to grow rapidly, as competition among acquirers continues to remain intense," said Karen Beldy Torborg, global leader for Marsh's Private Equity and M&A Services practice. "Dealmakers, both from the private equity and corporate space are increasingly using insurance capital to get deals over the line and we don't see this trend subsiding anytime soon. This is true in the Americas, EMEA, and Asia-Pacific."

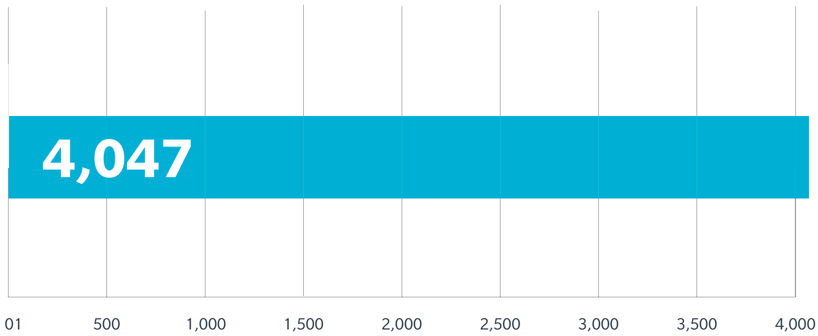
The US experienced dramatic growth in demand from all sectors, on the back of a record year in 2014. In Europe, real estate deals continued to drive demand, and we're seeing a trend for dealmakers to include title insurance as part of the transaction. Larger deal sizes and a greater acceptance of this insurance solution buoyed demand in Asia.

Private equity firms continue to be the heaviest users of transactional risk insurance as they seek ways to reduce indemnity requirements when buying and make clean exits when selling. Despite this historical trend, we have seen corporations become more comfortable with using transactional risk insurance. This is especially true in the US and Asia-Pacific, and with companies that are buying or selling companies on a regular basis.

Transactional risk insurance — including warranty and indemnity (W&I) or representations and warranties (R&W) insurance, tax liability, and other contingent liability solutions — is now widely available in most jurisdictions or geographies around the world and has become a common risk-mitigation tool for dealmakers.

The growth in capacity and availability of this niche type of insurance is yet another example of insurers expanding from traditional property and casualty lines into more complex, solution-oriented, specialist classes of insurance.

Limits of Insurance Placed ($US millions)



Private Equity Policies
(as % of policies placed)

73%

Corporate Policies
(as % of policies placed)

27%

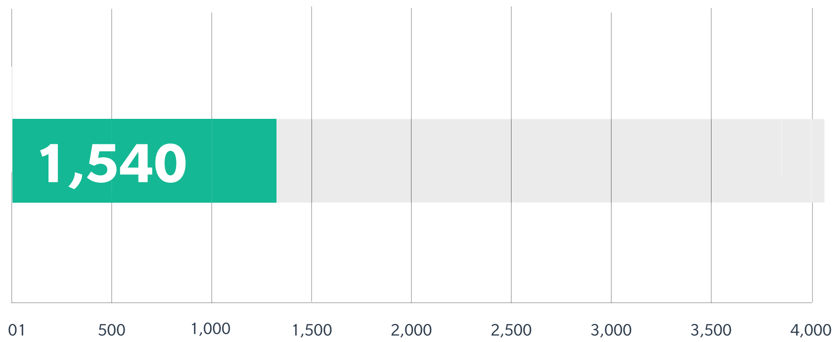
REGIONAL ROUND-UP: US/CANADA

North America continued to see strong demand for transactional risk insurance, with the market showing no signs of slowing down after the explosive growth witnessed in 2014.

So far in 2015, buyer-side policies have been predominantly driven by sellers using them as tools to make the sales process more attractive. Essentially, sellers are offering to fund part or all of the buyer-side policy as an inducement to proceed with the transaction and to limit their post-closing liability.

"Auctions continue to drive the transactional risk market, with sellers increasingly sending out draft bids that include buyer-side coverage. We are also seeing corporate buyers becoming more interested in using this type of insurance to facilitate deals," said Craig Schioppo, Transactional Risk leader for North America. "We think this trend will increase as corporate buyers realize they need to use insurance to help get deals finalized to better compete with private equity buyers in auction situations."

Limits of Insurance Placed ($US millions)



Private Equity Policies (as % of policies placed)

71%

Corporate Policies (as % of policies placed)

29%

REGIONAL ROUND-UP: EUROPE, MIDDLE EAST, AND AFRICA (EMEA)

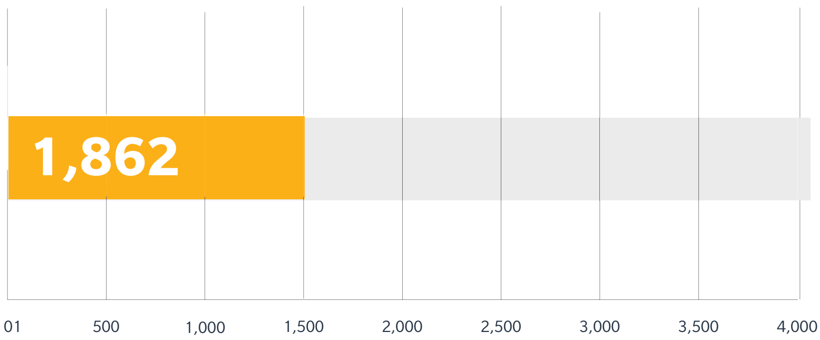
The market for transactional risk insurance continued to develop in Central and Eastern Europe, with deals in the Czech Republic, Poland, and Serbia. Some of the demand is being driven by the sale of second-generation, state-privatized assets into the private market.

In addition to the usual warranty and indemnity (W&I) insurance, we have seen greater demand for contingent tax policies on several transactions where buyers needed to cover off the risk of specific, known tax issues.

The use of title insurance to complement a W&I policy continues to rise in the real estate sector, with approximately US$2 billion of aggregated limits placed in the first half of the year. We have seen particular interest from clients looking at assets in the Continental and Eastern Europe region, such as Poland, Hungary, Romania, Czech Republic, and Slovakia.

"Demand for transactional risk insurance continues to be robust across EMEA, with more innovative uses such as contingent tax liability, and in combination with title insurance," said Andrew Hunt, Transactional Risk leader for EMEA. "We have also seen the median limit of insurance purchased per transaction across EMEA increase from US$18 million in 2014 to US$24 million in 2015, which means more insurance is being purchased per individual deal – a trend we see continuing throughout the remainder of the year."

Limits of Insurance Placed ($US millions)



Private Equity Policies (as % of policies placed)

79%

Corporate Policies (as % of policies placed)

21%

MARSH

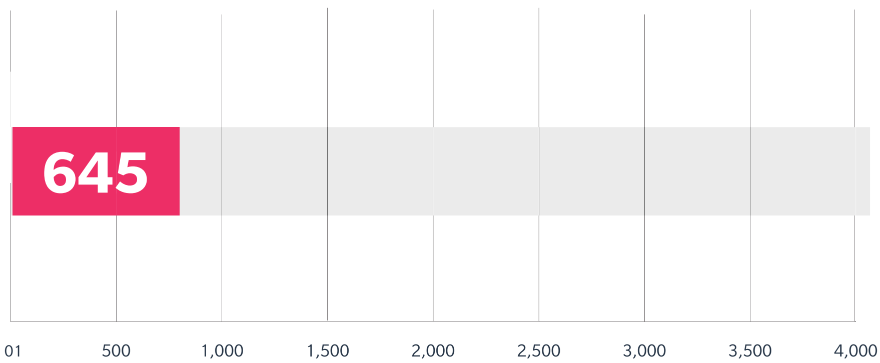
REGIONAL ROUND-UP: ASIA-PACIFIC

An increase in deal size and greater awareness of transactional risk insurance are driving continued growth in limits and the number of policies placed in Asia. Higher levels of enquiries and deals out of China and India, in particular, contributed significantly to the increased deal flow seen across the continent.

In Australia and New Zealand, transactional risk insurance continues to become more integral to corporate clients, evidenced by the higher proportion of corporate policies compared with other regions. Buyers are increasingly asking for — and receiving — zero retention and "de minimis" for title as part of their coverage terms from insurers.

"We are seeing some interesting industry trends emerge across the region, with transactional risk insurance use increasing among deals in the mining, light manufacturing, animal care, and food and beverage sectors," said Josh Roach, Transactional Risk leader for Asia-Pacific. "We expect the second half of the year to show similar trends as the first half, with 2015 shaping up to show strong growth across Asia-Pacific."

Limits of Insurance Placed ($US millions)



Private Equity Policies (as % of policies placed)

56%

Corporate Policies (as % of policies placed)

44%

GRAPHICS NO. 14-1489b