

Paragon M&A Insurance 2017 Global Review

2017 WAS ANOTHER RECORD YEAR FOR THE M&A INSURANCE MARKET WITH PLACEMENTS GLOBALLY CROSSING THE 3,000-DEAL MARK.

KEY BENEFITS OF M&A INSURANCE

Clean exit

insurance can replace liability otherwise held by the seller.

Enhanced security

for the buyer as the long-term stability of sellers cannot always be guaranteed.

Strategic tool

in an auction process to manage seller liability and/or enhance the profile of the buyer's bid.

Increase quantum and period

for the buyer beyond the limitations available from a seller in a purchase agreement.

Protect ongoing management relationships

when management remain with the acquired business.

Remove need for escrow

giving the seller access to a greater portion of the deal proceeds.

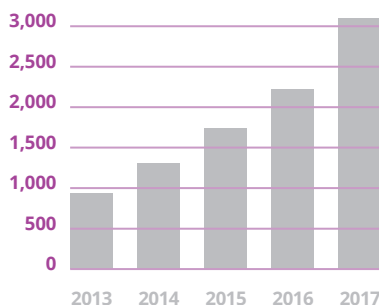
Dealmakers across both sides of the Atlantic have continued to embrace the benefits of what M&A insurance solutions provide to both buyers and sellers.

Premiums and retentions have continued to be competitive as a result of new entrants coming into the market but more importantly coverage has improved.

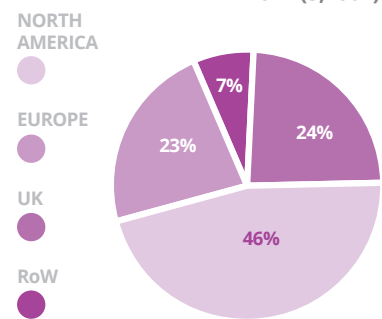
For the third consecutive year the Paragon M&A team have carried out market-wide exercises to collect data on how M&A solutions have been used on transactions globally. Here are our 2017 statistics:

2017 FACTS & STATS

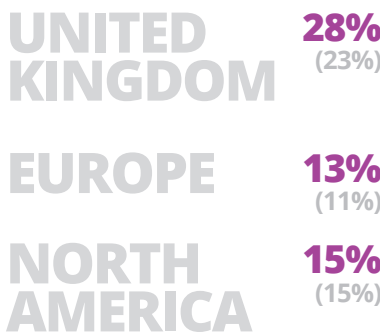
NUMBER OF M&A DEALS UTILISING M&A INSURANCE IN 2017



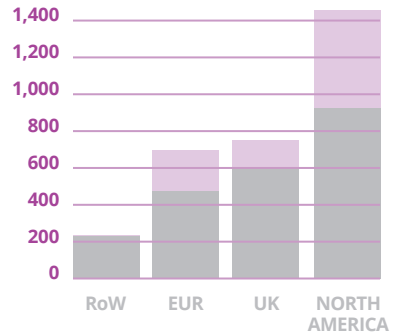
GLOBAL DISTRIBUTION OF M&A INSURANCE IN 2017 (3,100+)



% OF DEALS WHICH USED M&A INSURANCE IN 2017 (2016)



REGIONAL GROWTH OF M&A INSURANCE ON DEALS: 2016 v 2017



AVERAGE REGIONAL PREMIUM PRICING (RATE AS A % OF POLICY LIMIT)

NORTH AMERICA	EUROPE	UNITED KINGDOM
2.8% - 3.3%	1.0% - 1.5%	0.9% - 1.4%

ABOUT PARAGON

Paragon is an independent, global insurance broker based in London and Bermuda. With market leading capabilities and experience in the financial and professional lines sectors, Paragon will partner with you to deliver risk transfer solutions, claims advocacy and risk management services with a bespoke, personalised approach that is unique in the industry.

Contact Us

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CLAIMS

Breach of financial statements' warranties still remain the most common area where claims arise followed by compliance with laws and material contracts' warranties.

Meanwhile, deals with cross-border dynamics are attracting more claims resulting in higher severity payouts for insurers.

2017 KEY TRENDS

- Retentions have become more aggressive – historically set at 1.5% of enterprise value in North America they are now regularly down to 1% of enterprise value. In Europe and the UK insurers are prepared to offer as low as 0.5% of enterprise value. Dropping and tipping structures are also quite common to see
- Policy enhancements such as materiality scrapes, knowledge scrapes and affirmative coverage are regularly included as part of coverage
- Title top-up for fundamental representations and warranties becoming more prevalent on deals
- The uptake for Tax Liability Insurance policies has also increased given the greater focus on tax issues arising from M&A transactions

OUTLOOK FOR 2018

- **Recent tax legislation and repatriation of foreign earnings in the US** is expected to further bolster the M&A market and subsequently the growth of R&W insurance
- **Tax Liability Insurance policies will likely become more pertinent** as dealmakers assess the impact of the reforms on transactions and existing group structures
- **Premiums and retentions likely to be driven down in North America** but may plateau in the UK and Europe at levels that insurers deem the minimum amounts to remain economical
- **M&A insurance is expected to become more accessible** on deals in developing markets as the M&A insurance market looks to broaden their geographical appetite

35 MARKETS GLOBALLY PROVIDING CAPACITY IN EXCESS OF USD 2 BILLION PER TRANSACTION



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