M&A INSURANCE: Q1 2024 QUARTERLY MARKET UPDATE

COMPETITIVE MARKET DRIVING LOW PRICING AND BROAD COVERAGE

Mid-market activity remained subdued during Q1 but showed signs of increasing. Insurer appetite remains strong which is causing low pricing and broad coverage across sectors, jurisdictions and transaction types with insurers increasingly showing appetite to offer free enhancements or waive exclusions in order to win instructions.

PE: Whilst the mid-market remained subdued, we saw an uptick in enquiries, with several early stage sell side auction processes. Multiple enquiries on carve out transactions reflects increased appetite for such deals, whilst we also saw an increase in minority or slim majority investments seeking insurance as investors write smaller cheques or pursue club deals.

Energy / Infrastructure: We saw a return of mid to large cap sell side processes across technology and global platform deals, however generous transaction timeframes remain. We saw the battery M&A lifecycle maturing with the launch of various operational portfolios. Onshore wind continued to be subdued due to market conditions. As expected, digital infrastructure led the way for infra deals in Q1, alongside increased activity in healthcare infrastructure and offshore servicing businesses.

Real Estate: Although the sector remains relatively subdued, there was increasing optimism from investors and advisors at MIPIM that Q3 / Q4 would see a return to more usual activity levels with interest rates expected to fall further. We have already seen an uptick in operational real estate transactions and enquiries, notably in the healthcare space.

Tax: Increased appetite from both buyers and sellers for specific tax policies in an M&A context to avoid price adjustments continues. Given the current political uncertainty in the UK, we saw a number of requests from individuals to cover their personal tax position following disposals (primarily risks involving inheritance tax provisions and carried interest rules).

Contingent: Increased enquiries for specific risk policies which will allow estates to be wound up. We expect the recent change to the rules for tax clearances for Members' Voluntary Liquidations may cause IPs to look to insurance cover in lieu of the comfort of a clearance from HMRC. The recent Court of Appeal decision on the Adler restructuring plan is also likely to generate increased interest in contingent policies in this space.

Claims: Claim notifications were higher in Q1 than Q4 2023. We continued to see an increased number of notifications from opening of tax audits by European revenue authorities which likely reflects a continued trend of increased scrutiny by such authorities.

DEALS

20% decrease ▽

AVERAGE DEAL SIZE

£94,046,086 ▽

Jurisdiction

UK	Europe	Middle East	Other
42.11% ▽	34.21% ▽	7.89% ▲	15.79% ▲

Sector

Tech	Energy	Infra	Real Estate	Operational
21% –	18% ▽	3% ▽	18% ▲	39% ▲

	Technology	Energy	Infrastructure	Real Estate	Operational
Av. Policy Limit (% of EV)	19% ▽	65% ▽	20% ▽	48% ▲	22% ▽
Av. Rate on Line (% of Limit)	1.17% ▽	0.86% ▲	0.80% ▽	0.66% –	0.99% ▽
Av. Retention (% of EV)	0.44% ▲	0.05% ▽	0.00% ▽	0.06% ▲	0.38% ▽

Arrows show changes to Q4 2023 statistics

FUTURE CONSIDERATIONS

- New entrants to the market in Chubb and Devonshire will continue the trend of strong insurer competition and a soft market.
- The increased claim frequency is likely to lead to increased pressure from insurance carriers to increase pricing in the medium term.

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