

M&A INSURANCE: Q2 2024 MARKET UPDATE

INCREASED DEAL FLOW AND EXPANDING USE CASES

Q2 saw a long-awaited increase in mid-market deal activity leading to broad optimism for a busy second half of 2024. HWF have seen increased activity across our various teams with a particular uptick in average deal size by over 200% compared to Q1 2024. Pricing and retention levels remain near historic lows in the W&I market.

PE: The PE market saw an increased deal flow, particularly in the mid-market with the return of a number of sell side auction processes. We have seen a notable uptick in PE's pursuit of professional and financial services businesses, and the placing of a W&I policy on the investment by a consortium in a preference share structure of a global environmental consultancy, showing a broader use case for W&I outside of standard M&A transactions.

Energy/Infrastructure: There has been a general increase in core infrastructure asset transactions spanning transport assets and digital infrastructure, with infrastructure enquiries (rather than signed deals) beginning to surpass those relating to energy assets towards the end of the quarter, reflecting a general cool down in the renewables sector. We also saw transactions paused due to elections across various countries, of note, France and the UK but with the expectation they will pick up pace following the results. There has been a notable increase in O&G enquiries and a continued flow of transactions in the energy servicing sector. Onshore wind is having a renaissance with more deal flow in that sector than we have seen in the equivalent period in 2023. Overall, the rates for transaction in this sector continue to reflect a soft market.

Real Estate: While the real estate market remains in a wait-and-see phase, there has been a focus on distressed M&A in sectors such as retail and office buildings, due to high vacancy rates. Interest in logistics and student housing is also on the rise, reflecting investor confidence in their growth potential.

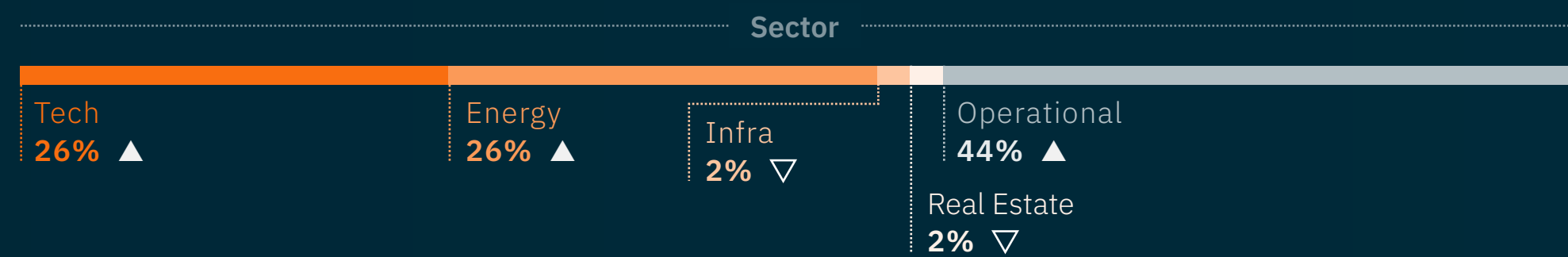
Tax: Over the last quarter HWF have structured a number of policies aimed at mitigating the potential impact of political change, driven by the UK general election. Internationally, we have seen an increase in enquiries from fund clients looking to ensure that their structures are exit-ready and remove any uncertainty relating to withholding taxes on cash repatriations.

DEALS

13% increase ▲

AVERAGE DEAL SIZE

£283,597,650 ▲



Av. Policy Limit (% of EV)	Technology	Energy	Infrastructure	Real Estate	Operational
	19% -	69% ▲	10% ▼	48% -	38% ▲

Av. Rate on Line (% of Limit)	Technology	Energy	Infrastructure	Real Estate	Operational
	1.09% ▼	0.53% ▼	1.15% ▲	0.60% ▼	1.22% ▼

Av. Retention (% of EV)	Technology	Energy	Infrastructure	Real Estate	Operational
	0.22% ▼	0.02% ▼	0.25% ▲	0.00% ▼	0.27% ▼

Arrows show changes to Q1 2024 statistics

Contingent: Enquiries relating to specific or known risk insurance are growing. An uptick in general market activity coupled with a growing awareness of how the cover can unlock value for clients has supported this development. For example, we are currently working on deals involving Middle Eastern litigation and restructurings, potentially defective share buybacks and residual (or “tail”) liabilities which must be mitigated prior to a fund structure being wound up.

Claims: We are continuing to see an increased number of claims notifications. We have also seen a number of material settlement payments being made by insurers in the last quarter.

FUTURE CONSIDERATIONS

The fundamental warranty top-up market continues to rebuild capacity to meet demand for full deal value cover requests. With increasing requests on transactions over £/\$/€1 billion.

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