GREAT AMERICAN INSURANCE GROUP

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MANAGING TRANSACTIONAL RISK

The transactional risk landscape has been uncertain and volatile in 2024, with various factors creating challenges for the dealmaking process. To meet these challenges and help manage potential downside, robust due diligence is key to carefully assess a target company's business. Also important is the use of insurance, which has become a staple of the M&A marketplace. Beyond traditional representation & warranty insurance, there is also rising appetite for specific coverage of known tax and other contingent risks, such as litigation. ■

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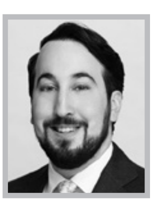

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FW: As part of transactional risk management, what key areas need to be considered during due diligence? To what extent are pressing time constraints affecting the level or quality of due diligence, and in turn potentially resulting in more post-deal claims?

Sherman: Reliable due diligence must examine many aspects of the target company, including its operations, financials, market, opportunities and growth potential. That breadth and depth of the assessment requires a deep dive and a fair amount of time – a lot to accomplish in the restricted time typically available for due diligence in today's market. Given time limitations, diligence will necessarily be more thorough in some areas and less in others, and the areas of greater risk must undergo greater diligence. When they do not, the chance of a post-deal claim increases, as does the chance of uninsured post-acquisition problems and failures. That obliges the buyer to have a system to identify areas of higher risk early in the diligence process and to properly focus on them. Based on claims experience over many years, certain characteristics and factors of a target company's operations may help to foretell certain types of embedded risks. Claims experience can be used as a pre-acquisition guide to help efficiently identify hidden risks that might otherwise be overlooked. In the end, some risks and resulting claims simply cannot be predicted or detected ahead of time; but some can, through a claims-driven, efficient and informed risk management effort. For example, in technology acquisitions, we tend to see more problems related to licensing. For multi-location manufacturing, we tend to see more problems related to inventory and related cost of sales. For older asset-heavy businesses, we see condition of assets making a comeback. Also keep in mind that when acquisitions demand exceeds supply, there are greater risks that suggest greater targeted diligence.

Lawrence: Key areas to be considered during diligence are those relevant to a particular transaction, which frequently include legal, financial, tax, insurance, commercial, environmental and technical diligence. We have found that buyers are generally taking their time to perform comprehensive diligence through internal, external or a combination of internal and external resources. For example, on asset-heavy deals, we are generally seeing robust technical or engineering diligence on the assets, performed either by a qualified technical firm or internally by an experienced strategic acquirer who can leverage their internal resources to perform a detailed analysis of the assets.

Bruno: The transactional risk claims data makes it clear that financial statement breaches are driving the highest severity claims in the market. Other material claims are driven by tax enforcement, general noncompliance with laws and losses of material contracts such as with key customers. Thus, it is important to understand the quality and scope of the contemplated due diligence exercise for these subject matters, plus any applicable industry-specific regulatory regimes. For example, when evaluating whether to place an insurance policy on a target business with unaudited financial statements, it is important for the buyer to engage a competent adviser to prepare a fulsome quality of earnings report. The representations & warranties (R&W) relating to financial statements should also be tailored accordingly. While deal timing is always important to keep in mind, the insurance industry has proven adept at accommodating expeditious deals while ensuring adequate diligence is performed, such as by offering 'conditional' policy exclusions.

Kueppers: The starting point is that, from an M&A insurance perspective, if there is no due diligence then there is no cover. As a minimum, there should be legal, tax and financial due diligence and, depending on the type of business or asset, also technical due diligence. We regularly assess the warranties that a bidder would expect to be insured against the scope of due diligence and then provide guidance whether the jurisdiction, specific areas and subject matter of the due diligence is sufficient for an insurer. For non-material areas of cover that, potentially, have not been due dilligenced, an insurer needs to assess whether it can provide blind spot cover – cover where there has been no due diligence, which is only available for areas that do expose a small quantum of loss – if a robust disclosure exercise will be sufficient, or by simply asking to confirm whether there have been any problems in this area. It also needs to be determined if internal due diligence is sufficient, and whether it needs to be in a full report format or in a lighter format such as a simple Q&A, in order to obtain cover. Time constraints are always an issue. However, we do not necessarily see the quality of due diligence impacting claims, as where there has been bad quality due diligence, there will usually be more restricted cover.

Reynolds: Financial statement misrepresentations generate some of the largest claims under R&W insurance policies. Good accounting diligence should apply a forensic accounting approach. The worst situation for a buyer is where the seller actively misrepresents its financial situation. For example, if a company routinely reports extra revenue at the end of each month, then reverses the entries in the subsequent month, this may indicate deliberate financial misrepresentation. A target's financial statements may appear to comply with generally accepted accounting principles, but still not reflect the company's true financial situation. A thorough diligence process requires a team of experts and time to carefully assess the target company's business. Rushing through the process to meet a deadline can result in missed issues that can generate losses down the line.

Sherry: The scope of due diligence can vary based on the profile of the target company or assets being acquired. However, every transaction requires thorough due diligence with respect to financial, legal, customer and tax matters. Additionally, depending on the target company's operations, many transactions necessitate a broader suite of experts with exposure relating to intellectual property

(IP), labour, data security, environmental, regulatory and engineering matters. While there is currently an increase in deal flow, the pace has relaxed compared to the speed of deals from late 2020-22. This slower pace allows both underwriting and buy-side advisers to conduct comprehensive due diligence at a manageable cadence. Pressing time constraints can otherwise significantly impact the scope of diligence, which could lead to post-close claims.

FW: What are some of the common issues that surface post-close, which may have been detected or avoided with adequate diligence?

Lawrence: The most common issues that surface post-close involve financial statements and customer and contract claims that frequently relate to the loss of a customer or the failure to deliver what was contractually promised. There are also significant claims in the areas of tax, compliance with laws, condition of assets and intellectual property, among other areas. At times, claims arise out of circumstances where additional diligence could have uncovered the issue, such as with condition of asset matters that are worse than expected or financial matters that could have been investigated in greater detail. Interestingly, we have found that audited companies are still likely to have a financial statement claim, underscoring the importance of robust financial diligence for even recently audited targets.

Bruno: Common issues include breaches of the R&W relating to financial statements, tax matters, compliance with laws and material contracts. Many claims are related to issues that could not have been discovered in a typical due diligence process, which shows that insureds usually are performing adequately-scoped diligence procedures and truly proves the value of these insurance policies for unknown exposures. Insureds should engage in a comprehensive due diligence process that includes engaging reputable legal, financial and tax advisers, conducting customer calls or surveys on the target's material partners, and leaving no stone unturned when it comes to industry-specific regulations such as billing and coding compliance for healthcare providers.

Kueppers: A rushed process with limited scope, especially with regard to tax, is a key issue that arises post-close. For example, a common claim we see, mostly low in quantum, is non-provided-for liabilities in balance sheets and more serious claims due to a failure to conduct a detailed review of the revenue recognition. For cost or competitive tension reasons, bidders sometimes cut corners in their due diligence and rely heavily on the disclosure exercise or vendor due diligence factbooks. However, if the insurer covers it, they do not have the opportunity to say, post-close, that the due diligence was not detailed enough.

> THE TRANSACTIONAL RISK CLAIMS DATA MAKES IT CLEAR THAT FINANCIAL STATEMENT BREACHES ARE DRIVING THE HIGHEST SEVERITY CLAIMS IN THE MARKET.
>
> VINCE BRUNO
> RP Underwriting, Inc.

Reynolds: A robust due diligence process should include a careful assessment of the condition of the target's assets. The analysis should carefully consider whether the assets are adequate for the purpose to which the buyer wants to put them. In some cases, a buyer acquires a company for a particular strategic purpose, but later discovers that the target's assets need to be significantly improved or modified to accomplish that result. Thorough testing of the equipment should be part of the initial due diligence process, not something that belatedly occurs after the company has already been acquired. There are other types of common business issues that are often overlooked in diligence. For example, many companies operate without sufficient licences for the software they use. Proper diligence should include an analysis of what software is required to run the target's business and whether it pays for enough licences to conduct its business.

Sherry: Financial statements and customer representations are common areas of risk that can lead to post-close issues. Significant exposures to focus on while conducting diligence can include thorough review of a company's working capital, revenue recognition practices, non-recurring income that may overstate financial strength, discrepancies in inventory or accounts receivable, off-balance sheet liabilities, unpaid taxes and the strength of key customer contracts. Given other fast-growing areas of risk, it is also important to consider all facets of a target company's operations. In recent years we have seen an increase in the frequency and severity of cyber breaches as well as losses under IP representations related to software licensing and copyright infringement. Furthermore, with emerging risks like the advance and use of artificial intelligence, and the focus on 'forever chemical' exposures, it is important to carefully tailor the scope of due diligence for each transaction.

Sherman: The common issues that surface or could surface depend on the current M&A environment, the specifics of the target company and the industry. Generically, the most common issue we see today is inventory and its impact on cost of sales. Inventory issues are not alone, however. In more recent times, we also see more frequent problems with condition of assets, major customer issues, and carve outs. Depending on the industry and the company, with knowledge of the current claims environment, the heightened risk of many of these problems can be observed during diligence and tested.

> IF THERE IS NO DUE DILIGENCE THEN THERE IS NO COVER. AS A MINIMUM, THERE SHOULD BE LEGAL, TAX AND FINANCIAL DUE DILIGENCE AND, DEPENDING ON THE TYPE OF BUSINESS OR ASSET, ALSO TECHNICAL DUE DILIGENCE.
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> CLEMENS KUEPPERS
> LIVA

FW: Are you seeing a growing appetite for M&A insurance, to help manage risks and see deals through to completion?

Bruno: The value proposition for these insurance policies is clearer now than it has ever been. The product rose to prominence over 10 years ago as a tool for private equity sponsors to make their bids more competitive during an auction process. Now, not only is this product utilised on over 90 percent of financial-sponsor-backed deals in the US, but it has gained significant traction with strategic purchasers as well. Buyers benefit from longer survival periods, more efficient claims processes and lower collection risk. Sellers are able to realise the value of the deal immediately rather than having material sale proceeds tied up in an escrow account for years. Furthermore, an R&W insurance policy eases deal negotiations by allowing the parties to agree to a 'no survival, no seller indemnity' structure, thus removing the need to bargain over complicated indemnification provisions.

Kueppers: Historically, for certain types of bidders, M&A insurance was seen as a 'tick the box' exercise. However, we have recently seen the emergence of companies that are buying policies for genuine risk transfer and are scrutinising cover, warranty by warranty. In addition, many sellers that do not intend to wind up the seller post-close are also considering a warranty & indemnity (W&I) policy to manage their balance sheet risk. Companies also take comfort that cover is live from signing and can claim, under certain circumstances, pre-close, as opposed to revisiting the purchase price or negotiation with the sell-side. Over the last few years, we have seen increased appetite for specific insurance policies to cover known tax and other contingent risks, such as litigation. For example, if the seller and buyer have differing views of the level of risk associated with a known issue, insurance can take the issue off the table.

Reynolds: R&W insurance continues to be the go-to solution for managing residual risks of M&A transactions. Tying up money in escrow for prolonged periods of time at low interest rates is mostly obsolete. Also, there is a growing awareness of tax indemnity insurance. It is often used to insure tax credits, such as solar tax credits. In addition, increasing numbers of brokers and insureds know that the product can be used to address tax risks that the buyer is unwilling to assume as part of an acquisition.

Sherman: M&A insurance has become a staple of the acquisition marketplace. Foundationally, over the past 10 or so years, M&A deal volume has increased steadily and significantly. 2020 brought a short-lived coronavirus (COVID-19) dip, followed by 2021's record setting deal volume and increased value. That growth trend in M&A activity translated into a heavier reliance on R&W and W&I insurance. The more recent slowdown in M&A activity for economic reasons has begun to rebound in recent times to again exhibit record M&A insurance submissions. New insurance markets have been launched in the last 12 to 24 months in Europe and the US, and the growth in deal size has led to more excess insurance coverage through insurance towers.

Sherry: The use of M&A insurance has expanded beyond traditional private equity-led transactions. Strategic buyers are now very familiar with transactional risk products and our industry has developed and recruited the expertise and human capital required to execute a range of complex deals. Buyers that previously may not have engaged with these products are successfully protecting their investments in various transactions, including take-private deals, secondary transactions and minority investments. Insurers are also increasingly willing to underwrite transactions with smaller enterprise values across a wider range of industries, which further boosts the adoption of these products.

Lawrence: Even with notable geopolitical and macroeconomic uncertainty in recent years, R&W insurance submissions have remained healthy. In the last 12 months, we have seen an increased percentage of R&W insurance submissions across secondaries, renewables, take privates and middle market transactions.

FW: Could you outline some of the trends you are seeing in M&A insurance offerings, with regard to policies, coverage, terms, pricing, and so on?

Sherry: Current terms and pricing are very favourable to buyers. With most insurance products, low self-insured retentions result in an increase in premium rates. R&W products have not followed this pattern. Instead, retentions, rates and general coverage are all buyer favourable. This trend does expand the required expertise of underwriters and advisers and changes the level of materiality considered in underwriting, but the finished product protects a buyer's investment better than ever. While the range of risks being underwritten in the tax liability space is broadening, terms and conditions have remained consistent and tax risks continue to be carefully priced. While the competitive landscape has resulted in marginal downward pressure on rates, the long tenor and capacity requirements of these policies does not allow for large swings in pricing.

Lawrence: Despite increased deal volume and an increase in larger deal sizes, we have seen significant pressure on primary rates. The industry has now paid billions in claims and yet the aggregate rate and retentions on primary R&W insurance in North America are near historic lows. With an expected continued increase in M&A activity, we are hopeful for a rise in rates to support increasing claims payments.

Sherman: In terms of conventional R&W and W&I coverage, M&A deal size has grown significantly, leading to more deals with higher policy limits. In more recent times, retentions began to drop a bit and policy pricing had moderated slightly. These trends drove many carriers to take a harder look at riskier industries and to exercise more caution in specific deal instances. As deal volume rebounds, the industry and the product will benefit if pricing can slightly move higher, which is also healthy for the continuity of the product as prices had dropped too much for a long-term sustainable product. Outside of traditional products, related but different products are becoming mainstream, most notably tax indemnity and contingent liability coverage.

> R&W INSURANCE CONTINUES TO BE THE GO-TO SOLUTION FOR MANAGING RESIDUAL RISKS OF M&A TRANSACTIONS. TYING UP MONEY IN ESCROW FOR PROLONGED PERIODS OF TIME AT LOW INTEREST RATES IS MOSTLY OBSOLETE.
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> ROY H. REYNOLDS
> Great American Insurance Company

Reynolds: There has been a number of very large losses in the area of specific litigation and judgment preservation insurance. It is possible that these losses may have a ripple effect and cause some insurers and reinsurers to reevaluate their involvement in M&A insurance in general. At a minimum, specific litigation losses may result in higher R&W and tax insurance rates, as insurers and reinsurers reassess the risks of these products and try to recoup their specific litigation insurance losses.

Kueppers: In terms of pricing, it is very difficult to estimate the cost at the moment, as underwriters are involved in a race to the bottom to win business. In the terms and cover section, we also see previously no-go areas now being covered as standard. For example, imputed or constructive knowledge or condition of assets never used to be covered but now, in certain jurisdictions or sectors, underwriters are offering coverage. We do see a trend for synthetic cover, but this has not taken off as much as stakeholders from insurance capital providers thought it would, largely because buyers take comfort from an engaged seller and management during a warranty negotiation process.

Bruno: We are seeing continued growth in the amount of capacity, underwriting resources, and breadth of appetite from new and existing underwriters alike. Given the competitive environment, there is competitive pricing and coverage for underlying industries and jurisdictions that as recently as a few years ago were not receiving much attention from the players in this market. It is clear when entering underwriting that the diligence has been planned with R&W insurance in mind to secure coverage for matters that historically may have been outside of the scope of policies. Savvy underwriting markets are still carefully managing the profitability of their portfolios to sustain a reliable platform for the future of their stakeholders. The clear beneficiaries of a tighter market include companies with centrally managed global teams that are ready to service the cross-border transactions becoming more frequent in today's M&A landscape.

FW: How important is claims experience when it comes to dealing with a breach and achieving a swift and efficient resolution? In your opinion, are there areas in which the process could be improved?

> ACQUIRERS SHOULD CAREFULLY PLAN OUT THEIR DILIGENCE TO ADDRESS KEY DEAL RISKS, WHICH WILL SERVE THEM IN BOTH NEGOTIATING WITH THE SELLER AND OBTAINING THE MOST PROTECTIVE AND COST-EFFECTIVE TRANSACTIONAL POLICY.
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> ANDREA DEE LAWRENCE
> Euclid Transactional

Lawrence: Claims experience is key. Finding a provider that is dedicated to making the claims process fair and efficient should be top of mind for acquirers when choosing who to buy R&W insurance from. All carriers say that claims are important, but selecting a good long-term partner with a robust claims team and a record of handling complex claims in a commercial manner can be beneficial.

Sherman: Claims experience benefits everyone. Not unlike other things in life, experience is a superb coach, teaching us how to do things better – resulting in more efficiency and greater effectiveness. Having more experience in the claims process also means that insurers have had more opportunity to learn from policyholders about what works, and what does not, from the policyholders' perspective. That helps to streamline the insurer's future claims process and achieve a more collaborative approach, making the process easier and more understandable for the policyholder. There is always room for improvement, and that not surprisingly comes from more experience. From the experiences gained, insurers are working harder today to make sure they have open lines of communication and involve brokers more frequently in the claims process. This can be a great benefit to the process when the brokers step out of their sales role and are candid with the policyholder about the realities of the claim, both good and bad.

Reynolds: Transactional risk claims are often very complex, so experience is essential to resolve claims efficiently. Many transactional risk underwriters are managing general agents, so it is their insurance company backers that handle the claims. M&A insurance policies are long-term policies with high limits. As claims volatility increases, there is a flight to quality to place policies with insurers that are ready, willing and able to pay legitimate claims. The most important determinant of how quickly a claim is resolved is how quickly the insured provides information and documentation to the insurer. For R&W claims, once an insured shows that a breach occurred and establishes the amount of the loss, most insurers are willing to settle a claim quickly and commercially.

Kueppers: From a broker's perspective, claims experience is very important. Sending a fulsome and detailed claims notice at the outset is key for the entire process and immediately sets the tone. Insureds may be run through the various hurdles they need to demonstrate to an insurer before the claim is seriously considered. For example, it is important to clearly set out the facts, matters and circumstances, identify the warranties breached, confirm that this was unknown to the insured, not disclosed to them and not covered in the due diligence, and provide the expected quantum of loss and how the insured arrived at the number. This will result in a speedy answer from the insurer and will also give them the opportunity to immediately assess the severity of the claim. As insurers are swamped in pre-notifications of claims, it is sometimes difficult for them to assess which ones are likely to progress.

Bruno: With over two dozen providers of R&W insurance available to choose from, potential insureds seeking guidance are often counselled to choose a partner with a solid claims history. Only a handful of the current underwriting markets in the US have a proven claims history to be proud of. Even fewer have experience with paying hundreds of millions of dollars of claims across over a dozen global jurisdictions from their handling of hundreds of past claims notifications. There is nothing more important with this product than finding a partner who has a wealth of expertise relating to their successful resolution of dozens of prior claims across the world. Very few insurers have several individuals dedicated solely to transactional risk claims. Such platforms will continue to be trusted partners notwithstanding today's competitive environment.

Sherry: Quick and efficient claims settlement is key to building strong relationships with insureds and broker partners. A successful claims process involves setting and meeting expectations early. Clear and precise communication from the initial call to the final resolution is essential. Claims can vary dramatically in terms of collective cooperation, but we find the best outcomes result from experience and an open-minded approach. Unlike many other lines of insurance, the complexity of claims from determining breach and evaluating the quantum of loss requires collaboration between many parties that need to share and present ideas that may not always align. The goal nonetheless is the same, which is to find a quick resolution.

FW: What essential advice would you offer to acquirers on how to properly manage transactional risk?

Sherry: Acquirers should focus on quality of due diligence work product, whether produced by a third-party adviser or an internal subject matter expert. Well-documented due diligence enables broader coverage and a smoother process. Underwriters seek to confirm that the underlying representations can be made by a reasonable seller and that the buyer's due diligence effort supports this. A broker should be engaged early to understand the process, timelines and any nuances that make a transaction unique. Brokers and advisers continue to be crucial in managing expectations, identifying challenges early and guiding buyers to successful outcomes.

Reynolds: Thorough due diligence is the most important technique to manage transactional risk. If the business of the target company is misrepresented to a buyer, insurance can cover a portion of the losses. However, a bad deal is a bad deal. If the business turns out to be full of unfortunate surprises, losses may well exceed the limit of the policy. In such a case, both the insurer and the insured are likely to suffer losses.

Kueppers: Acquirers should spend time on due diligence and try to broaden the knowledge pool at the target. We often find that the knowledgeable person or warrantor does not necessarily have day to day background information, which can be detrimental to cover or a positive resolution during a claim. On the sell-side, prepare for negotiations. Sellers need to work on the suite of warranties they are offering and also prepare for the coverability of warranties that they do not want to offer, but it is expected that a bidder is likely to ask for.

Sherman: While post-close claims bear out that many issues are realistically undetectable during due diligence without a 100 percent sweeping deep dive, they also teach us that there are both operational and financial failures that likely could have been identified pre-close with relatively marginal effort, and are feasibly detectable and avoidable.

Bruno: High-quality due diligence with adequate scope and breadth remains essential for any transaction. Insureds generally have sufficient familiarity with the particular target business, including its key value drivers and exposures. When that matches expectation of the risks associated with the target it makes for a far more efficient underwriting process. Insureds should consider the scope of their due diligence exercise when compared against the breadth of the R&W to ensure there are no coverage gaps. Furthermore, for the purposes of materiality thresholds, there should be an alignment between the due diligence and the policy retention or deductible whenever possible.

Lawrence: Acquirers should carefully plan out their diligence to address key deal risks, which will serve them in both negotiating with the seller and obtaining the most protective and cost-effective transactional policy. Additionally, when selecting a market, they should choose a long-term partner with a reputation for good claims handling and payments, a smooth underwriting process with minimal surprises, and a team with a deep bench to handle busy M&A cycles.

FW: Looking ahead, how do you expect the process of transactional risk management to evolve? What new strategies and techniques are coming into play?

Reynolds: I expect transactional risk management to expand to include coverage other than traditional R&W and tax insurance. For example, a carbon sequestration project might need coverage not only for the tax credits it generates, but also environmental coverage. There would be significant synergies in underwriting the two risks together, since in each case, one key issue is the likelihood of carbon gas leaking from the underground storage facility.

> TECHNOLOGY WILL PLAY A LARGE PART IN THE EVOLUTION OF TRANSACTIONAL RISK INSURANCE IN TERMS OF SCREENING DUE DILIGENCE AND FACILITATING PROCESS-HEAVY TASKS. THIS IS TRUE FOR BROKERS, UNDERWRITERS AND ADVISERS ALIKE.
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> MIKE SHERRY
> DUAL North America, Inc.

Kueppers: We expect an eventual hardening on price and cover. With the number of players in the market, premiums have halved for conventional deals and in some sectors even decreased by 200 percent over the last 10 years. Also, the willingness to cover previous no-go areas by some insurers, often for little or no cost, is currently being heavily scrutinised by reinsurers, who are ultimately paying the bill. Overall, from an insurance perspective, products are now standard and are not treated as a no loss and claims free product. This provides additional scrutiny by stakeholders of insurance capital.

> "INSURERS WILL CONTINUE TO DEVELOP NEW PRODUCTS TO ADDRESS NEW RISKS AS WELL AS OLD RISKS, AND JOIN WITH OTHER INSURERS TO OFFER HIGHER POLICY LIMITS ON CONTINUALLY GROWING DEAL SIZE."
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> MARC SHERMAN
> Alvarez & Marsal

Sherman: Employing insurance products to manage transactional risk is still maturing. So far, the use of existing products has proven its value to the marketplace. More products are being developed as the industry evolves and new products will continue to be developed and offered. In terms of continued risk management through current insurance products, insurers have significant insight into heightened areas of risk in M&A transactions, informed by their tremendous claims experience. Hopefully, time will continue to strengthen the partnership and collaboration between insurers and insureds for the pre-acquisition identification and prevention of acquisition risk and failures and the enhancement of pre-acquisition risk management. In addition, insurers will continue to develop new products to address new risks as well as old risks, and join with other insurers to offer higher policy limits on continually growing deal size.

Bruno: It will become critical, to the extent it is not already, for underwriting teams across jurisdictions and across different lines of insurance to participate in the process of placing a single insurance policy. This is particularly true for cross-border deals. We are seeing a larger volume of local language insurance policies being requested, with some recently placed in Japan, Korea and China. Local underwriters are likely to be deployed in jurisdictions that still do not have a robust transactional risk market, such as across Latin America and the Middle East. Beyond jurisdictional challenges, since R&W insurance policies touch on so many different subject matters there is an increasing necessity to collaborate across lines of insurance. Thus, monoline underwriting platforms with smaller regional footprints will likely struggle through this soft market cycle and beyond, while global organisations with complementary business lines will continue to service their key partners in increasingly creative ways.

Lawrence: Over time, transactional risk management has matured along with diligence expectations, which has resulted in a more efficient underwriting process. For example, calls are generally shorter and legal counsel typically have well negotiated policy forms at the start of the process. Repeat business can make for a better experience as the underwriter knows the deal team and their diligence process, leading to even more efficiency in underwriting and claims. First-time users of the product also benefit from experienced partners who work hard to provide a positive first experience with R&W insurance.

Sherry: Technology will play a large part in the evolution of transactional risk insurance in terms of screening due diligence and facilitating process-heavy tasks. This is true for brokers, underwriters and advisers alike. While human collaboration and expertise will continue to be the central ingredient for success, we expect technology to improve operational efficiency. Additionally, new products will continue to expand. What is exciting about this space is that it is always evolving. This can be attributed to the strong working relationships between underwriters, brokers and advisers who consistently find new and thoughtful approaches to risk mitigation. ■