

## **Liberty Global Transaction Solutions briefing shines light on key global M&A insurance claim trends**

BOSTON (November 9, 2022) -- Liberty Global Transaction Solutions (GTS), part of Liberty Mutual Insurance, published its third annual analysis of its M&A insurance claims, providing buyers, sellers and deal advisors an unparalleled understanding of global M&A insurance claims by industry, region and cause.

The [Liberty GTS 2022 Claims Briefing](#) gives detailed data about the types of M&A deals and the industries most likely to involve a claim, as well as highlighting other important trends gleaned from GTS claims data between January 1, 2019 and July 31, 2022.

Headline takeaways include:

- The frequency of claims being reported is down slightly, with risks bound in 2019 currently running at 16% compared to a historical average of around 21%, and the widely anticipated post-COVID claims surge did not materialize.
- Mega-deals over \$1B have the lowest claims notification frequency rate in both Europe, Middle East and Africa (EMEA), as well as in the Americas.
- By contrast, deals with an EV (estimated value) of \$250m or less accounted for 64% of paid and reserved claims by value.
- Instances of multiple notifications have more than doubled since 2019, rising from 10% to 24.5%. The trend is most pronounced in the EMEA region, primarily due to an increased awareness amongst our insureds around their notification obligations.

*Liberty GTS President Rowan Bamford commented: "Our annual claims briefing always gives an interesting insight into developments in the global M&A sector. There was some uncertainty as to the impact the COVID-19 pandemic would have, but the expected surge in claims post-pandemic has not occurred. This underscores the strength of M&A deal makers in effectively judging the risk of individual M&As during the 18 months when COVID-19 caused major disruptions to due diligence and pricing."*

### **Causes of claims**

The briefing examined the most common causes for claims and found some interesting trends:

- Tax-related matters continue to account for a large number of notifications: 36% in the Asia/Pacific region, 34% in EMEA and 17% in the Americas. While most of these are precautionary in nature and are received within 24 months of the policy

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incepting, there has been an increase in the number of notifications involving large (\$10M plus) tax-related issues.

- Accounting and financial issues make up 29% of high-severity and 32% of medium-severity claims despite only making up only 11% of total notifications over the last 18 months.
- 48% of non-tax-related notifications involved a third-party claim. The majority of these involve either employee or intellectual property related disputes.
- Economic headwinds – such as inflation, potential recession and supply chain disruption - are likely to lead to heightened risks around certain issues such as undisclosed price increases, fraud, and accounts receivables.

*Bamford commented “This year tax-related issues continued to be responsible for a large number of notifications, but on the non-tax side we are seeing a significant increase in third-party claims. This is quite likely to be due to the increased litigation threat faced by corporations as businesses explore all means of generating revenue when facing economic headwinds.*

*“Going forward, sellers will need to take into account ESG-related issues as buyers now expect them to give specific warranties on these issues. All parties in a transaction also face challenges from global economics. Our underwriters remain ready to help clients navigate transactions through these turbulent times.”*

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## **About Liberty Mutual Insurance**

At Liberty Mutual, we believe progress happens when people feel secure. By providing protection for the unexpected and delivering it with care, we help people and businesses embrace today and confidently pursue tomorrow.

In business since 1912, and headquartered in Boston, today we are the sixth largest global property and casualty insurer based on 2021 gross written premium. We also rank 78 on the Fortune 100 list of largest corporations in the US based on 2021 revenue. As of December 31, 2021, we had \$48.2 billion in annual consolidated revenue.

We employ over 45,000 people in 29 countries and economies around the world. We offer a wide range of insurance products and services, including personal automobile, homeowners, specialty lines, reinsurance, commercial multiple-peril, workers compensation, commercial automobile, general liability, surety, and commercial property.

For more information, visit [www.libertymutualinsurance.com](http://www.libertymutualinsurance.com).

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## About Liberty Global Transaction Solutions

Liberty Global Transaction Solutions (GTS) is one of the largest global M&A insurance teams in the industry. With more than 80 specialists, we have helped facilitate over 1,500 M&A deals a year on average—successfully insuring thousands of transactions since our inception.

GTS offers specialized products and services to help facilitate M&A transactions for buyers and sellers, including Representations & Warranties (R&W)/Warranty & Indemnity (W&I) Insurance, Tax Liability Insurance and One-off policies created for individual contingent risks.

For more information, visit <https://www.libertygts.com/>.

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Contacts:     U.S. Contact :  
                 Richard Angevine, Liberty Mutual  
                 617-833-0926  
                 [Richard.Angevine@libertymutual.com](mailto:Richard.Angevine@libertymutual.com)

                 Outside of U.S. Contact :  
                 Victoria Sisson, Luther Pendragon  
                 +44 (0) 20 7618 9100  
                 (M) + 44 (0) 07941 294872  
                 [victoriasisson@luther.co.uk](mailto:victoriasisson@luther.co.uk)

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