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From Acquisition to Exit: How Cyber, D&O, Environmental and M&A Insurance Protect Private Capital Value

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Private capital firms are accustomed to assessing financial, legal, and operational risk. Increasingly, however, some of the most significant threats to portfolio value sit at the intersection of cyber security, governance, and transactions.

Whilst Cyber, D&O, Environmental and M&A insurance are often purchased and managed separately, the risks they address are deeply interconnected. A cyber incident can quickly evolve from an operational disruption into a boardroom issue and, in some cases, raise questions about matters that pre-date the acquisition itself. As a result, these products work best not in isolation, but as complementary tools supporting value creation and protection throughout the investment lifecycle.

Cyber risk is increasingly becoming a core component of transaction due diligence. Acquiring a company can mean inheriting vulnerabilities, poor cyber hygiene, regulatory weaknesses, or even undiscovered security incidents. Simply, buyers can inadvertently inherit cyber risk, making cyber due diligence a critical part of any transaction.

This is where M&A insurance plays a vital role. It helps protect buyers if representations and warranties relating to cyber security, privacy, or technology systems, or data practises prove inaccurate after completion of the deal. At the same time, cyber assessments and security reviews can help identify potential issues before they become costly surprises.

Following acquisition, cyber risk becomes an ongoing operational and strategic challenge.

A cyber event can trigger business interruption, forensic investigations, extortion demands, legal and regulatory costs, reputational damage, and significant management distraction. As private equity firms seek to drive growth and create value, these events can quickly disrupt investment theses and strategic plans.

To make this challenge even more difficult to manage, the threat landscape continues to evolve rapidly. According to Beazley Security's threat intelligence, business email compromise (BEC) accounted for more than one-third of reported cyber incidents during Q4 2025. Perhaps more notably, nearly half of successful business email compromise cases investigated by Beazley Security occurred in organisations where multifactor authentication (MFA) was already enabled.

This articulates an important reality for investors: cyber resilience is not simply about implementing controls. It is about ensuring that controls are effective, response plans are tested, and specialist expertise is available when incidents occur.

When a cyber event strikes, cyber insurance can do more than provide financial protection. Access to specialist incident response, forensic investigators, breach coaches, legal advisors and crisis communications expertise can help organisations identify the cause of an incident, contain it quickly, minimise disruption, and accelerate recovery. Beazley Security's approach is built around helping organisations strengthen resilience before an event, navigate incidents when they occur, and continually improve afterwards.

Cyber incidents rarely remain purely operational matters, however. Boards, investors, regulators, and other stakeholders increasingly expect leadership teams to demonstrate appropriate oversight of cyber risk, incident preparedness and disclosure obligations. The focus is no longer simply whether an organisation experienced an event, but whether management took reasonable steps to anticipate, mitigate, and respond to it.

Recent research highlighted internally within Beazley noted that 78% of executives remain highly confident in their cyber preparedness and ability to recover from an incident. Yet threat actors continue to exploit weaknesses in ways that challenge even mature organisations. This is where D&O insurance becomes critical.

If stakeholders allege that directors or officers failed to implement appropriate governance, oversee cyber risk effectively or respond appropriately following an incident, D&O insurance can provide valuable protection for leadership teams, including private equity representatives serving on portfolio company boards. As cyber resilience increasingly becomes a board-level issue, the distinction between cyber risk and management liability continues to blur.

Environmental Insurance can cover legacy issues at Target level for the seller and/or buyer, and can cover ongoing exposures from an operational standpoint which can include a pollution condition because of a cyber attack.

The real value emerges when these coverages work together. Consider a portfolio company that experiences a significant cyber-attack:

- **Cyber** insurance responds to the incident itself, helping protect the asset through recovery, business interruption, incident response, and associated costs.
- **D&O** insurance protects directors and officers if investors, regulators, or other stakeholders question management's oversight of cyber risk and resilience.
- **Environmental** insurance responds to a pollution incident triggered by a cyber attack.
- **M&A** insurance may become relevant if investigations reveal that the root cause stemmed from a pre-acquisition issue or an inaccurate representation made during the transaction process.

What begins as a cyber incident can quickly evolve into a governance challenge and, potentially, a transactional dispute.

For private equity firms, this reflects a broader reality: cyber risk does not exist in a silo. It can impact enterprise value, board decision-making, deal outcomes and exit strategies simultaneously. The insurance solutions supporting these risks should therefore be considered through the same integrated lens.

The Beazley Cyber, D&O, and M&A teams will be attending the UK Private Capital Summit (BVCA) and would welcome the opportunity to discuss how firms can build a more connected approach to risk management across their portfolios.

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