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Article

M&A insurance in India

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India is one of the fastest-growing economies in the world, so it is no surprise that foreign investment in the region is reaching new heights. In 2022, the Mergers & Acquisitions (M&A) market in India crossed US$160bn in deal value, growing 136% since 2019 with over 900 M&A transactions taking place . This significant growth is primarily attributed to strong domestic demand and healthy corporate cashflows driven by a burgeoning middle class, as well as geopolitical shifts (such as “China Plus One”), which together have provided an ideal environment for companies to pursue growth. As a result, in line with the growth of M&A deals, the Indian M&A insurance market has evolved and grown as more dealmakers turn to M&A transactional risk insurance as a tool to facilitate deals.

The growth of the M&A insurance market has also been aided by India’s vast potential as an investment destination catching the attention of established Western private equity (PE) firms. These firms are already familiar with M&A transactional risk insurance from dealings in Europe and the US, where the product has been widely used for decades. As international PE houses and other foreign investors sought to ensure that their ventures into India’s emerging market were just as well insured, the use of M&A insurance in India has become much more commonplace.

Garnering understanding

For many local accountants, lawyers, and investment bankers involved in M&A deals in India, M&A insurance was an entirely new concept. Introducing it to the market and engendering comfort with its application required new approaches. We worked closely in collaboration with a small number of specialist local brokers who recognised the potential of the product, and helped introduce it to the local M&A advisory community.

Quirks unique to the region added complexity to the equation. India is a heavily regulated business environment, and it is not uncommon for deals to take longer to execute than in other markets and to involve complex deal structuring, such as multiple different tranches of shares being sold at different stages as part of one transaction or multiple

transaction agreements. There was also a lot of uncertainty in the early years, despite the exciting opportunities, and many carriers did not see the potential growth opportunity in the region, believing it to be too complex, time consuming and risky.

At Beazley, we assessed each transaction and transaction structure on its merits and took a flexible approach to designing a solution that fit each of those individual transactions. We were highly supportive of our Indian brokers and local counterparts as their comfort levels and understanding of the benefits of M&A insurance grew.

Half a decade or so on, and the sophisticated local M&A advisory community is now comfortable with M&A transaction risk insurance. They themselves have become the advocates and salespeople for the product, which has contributed to its rapid adoption.

Supporting growth

Today, our M&A insurance offering is not only a solution for foreign investors, but increasingly a deal-making tool utilised by domestic companies as they look to deliver on their M&A strategies within and beyond India. The product has become increasingly accessible in India, with more competitive premiums and more comprehensive cover on offer and, as dealmakers better understand the practical uses of the product, it is now being incorporated into M&A processes earlier and more seamlessly. The use of M&A insurance now extends across all industries in the Indian economy – we have recently insured Indian deals in the retail, tech, manufacturing, energy, pharmaceutical and infrastructure sectors.

The Indian economy continues to boom, with the local stock market hitting a record high, and investment in the market, both domestic and foreign, is going from strength to strength. Looking ahead, we expect the Indian M&A market to continue its rapid growth, with considerable scope for the M&A insurance market to grow alongside it. Look out other blogs in our international M&A blog series, in which we explore the role of insurance in supporting dealmaking in North Africa - **New frontiers in M&A insurance.**

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