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Article

New frontiers in M&A insurance

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Merger & Acquisition (M&A) insurance has played a key role in helping to facilitate and support foreign direct investment into new jurisdictions and markets, serving as a key component towards market maturation. We are now seeing activity in countries and regions less familiar with the product, but which are now becoming aware of how it works, and how it can be utilised as a transaction tool to aid market growth. Key examples of this next stage of geographical expansion for M&A insurance include Saudi Arabia, Turkey, UAE, and many African countries, and we are already providing support for transactions in each of these markets.

Greater awareness and understanding is supporting growth

In less than a decade, M&A insurance in India has progressed and today it is increasingly a key feature of M&A deals. An ecosystem of brokers, lawyers and bankers are now familiar with what M&A insurance can offer. Awareness and understanding have led to businesses embracing the security that this cover provides.

Growth in these countries has been achieved by a handful of insurers, including Beazley, recognising that for M&A insurance in emerging territories to gain traction, flexibility is key, along with hard graft. More and more insurers are now considering writing Indian M&A risks, so the cover is becoming broader and the uptake more widespread. The rise in global M&A deals completed using M&A insurance is consistent with a trend that’s been developing for a number of years. For example, some industry players have reported that the number of M&A deals completed using M&A insurance has grown by 50% during 2022[1].

Where next?

Demand for M&A insurance is increasing in the Middle East, particularly in Saudi Arabia and the United Arab Emirates, countries that have witnessed a surge in both inbound and outbound deal-making activity. Last year alone saw a total of 632 M&A deals recorded in the Middle East[2], with the region continuing to buck the global trend and deal

activity looking set to ramp up.

The spike in M&A deals in the Middle East, dominated by Saudi Arabia and UAE, is driven, in no small part, by these countries' sovereign wealth funds. As these countries seek to diversify and acquire businesses and assets outside of their own markets, M&A insurance cover affords an additional layer of security. However, while the London market is abuzz with chatter about MENA (Middle East and North Africa) and the growing number of M&A deals emanating from the region[3], appetite to underwrite these risks remains largely restricted to a significantly smaller subset of carriers than those available for deals in more well-trodden markets.

Without the requisite experience, deals emanating from MENA may prove too challenging for some markets accustomed to Western blueprints for deal-making. However, the role that insurance has played in both Israel and India is clear and the experience built up by underwriters working in these markets in their infancy is transferable to other emerging jurisdictions.

Pushing the boundaries

Of course, the deals are different in each region. There will be local nuance, structures and regulations to grapple with and a level of understanding to be developed. But the benefits to the prospective insureds, their businesses and the wider economies are clear.

If London is to continue to market itself as a specialist insurance marketplace and retain its status as a home for new and unfamiliar risks, then insurers must continue to challenge themselves by pushing the boundaries, working with new partners and supporting innovation.

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