claims study 2025

GLOBAL REPRESENTATIONS & WARRANTIES INSURANCE

EUCLID TRANSACTIONAL

Contents

Only have a moment? Here are a few key points.

Severe Losses Are Becoming More Frequent: Over 45% of our loss paid from July 1, 2024 to June 30, 2025 arose out of payments of $20M or more. We have also seen an uptick in claims asserting diminution-in-value loss in recent years, receiving twice as many in 2023 and 2024 as compared to 2022.

There Are No Risk-Free Deals: We have seen a higher proportion of loss on deals with institutional sellers as compared to family/founder sellers and on Financial Statements claims where targets have audited as opposed to unaudited financial statements. Additionally, experience and sophistication does not translate to an absence of issues arising after closing; nearly a fifth of our loss paid arises out of deals involving top private equity firms as buyers.

Our Increased Global Presence Has Resulted in an Expected Increase in Claims: We received 333% more claim notices arising from jurisdictions outside North America in 2024 than 2021. This is consistent with the increasing number of policies we have issued internationally.

We Remain Focused on Efficient Resolutions of Claims: In the 12 months since last year's Claims Study, 54.5% of paid claims were resolved in 12 months or less, which was a 20% improvement as compared to our prior history.

A Billion Dollars in Loss Paid: Since issuing our first policy in 2016, our carriers have paid over a billion dollars in loss to our clients. After taking six years to pay our first $500M, it took less than two to pay the next $500M.

Questions about this study or a deal?
Reach out to ClaimStudy@EuclidTransactional.com

Continue the discussion with us on LinkedIn @Euclid-Transactional

Dear Reader,

Thank you for taking the time to read our third annual Global Representation and Warranties Insurance ("RWI") Claims Study. We love sharing our perspectives and look forward to discussing what we have observed with you in the weeks and months to come.

Our carriers paid over $300M in claims from July 1, 2024 to June 30, 2025, making the 12 months leading into the measurement period for this Study our busiest ever from that perspective. We are therefore releasing this Study with the benefit of more data than ever about RWI policies and how they work: these pages analyze data from 23% more policies placed, 29% more claims received, and 33% more claim payments than last year's Study.

The lessons learned from our claims help us to improve our service. We focus our underwriters on the most important issues we have seen in claims and consistently monitor our coverage to confirm that it aligns with our clients' expectations. In addition, we have learned more about what premium levels are needed to keep this product sustainable for years to come. Luckily, we believe that an enjoyable client experience—both during the underwriting and claims process—is possible at pricing that works for both insurers and insureds.

But who you choose to insure your deals matters. Not every insurer dedicates the resources necessary to provide a top-class client experience. Not every insurer supports their clients with industry-leading claims and underwriting teams. Our long-term investments in our team have paid off, and over the past 9 years we have grown into the largest global underwriter of transactional insurance policies.

We are grateful to our loyal brokers, clients, carriers, and other partners that have chosen to work with us over the years. We are proud of the hard work our team has put in to make our position in the market possible.

Thank you as always,

EUCLID TRANSACTIONAL

OUR CONCLUSIONS ARE

Backed by Data

SINCE OUR FOUNDING, WE HAVE:

PAID

$1,142,955,679

IN LOSS

ISSUED **7,666** POLICIES

INSURED **$6.9T** IN TOTAL ENTERPRISE DEAL VALUE

SINCE LAST YEAR'S STUDY, WE HAVE:

PAID

$314,072,728

MORE IN LOSS

44

MORE CLAIM PAYMENTS

33%

MORE PAYMENTS

38%

MORE LOSS PAID

Global Findings

Large Loss Payments Drive Our Book

Over half of our all-time loss paid arises out of claim payments for over $10M.

RWI continues to provide value in protecting against significant loss.

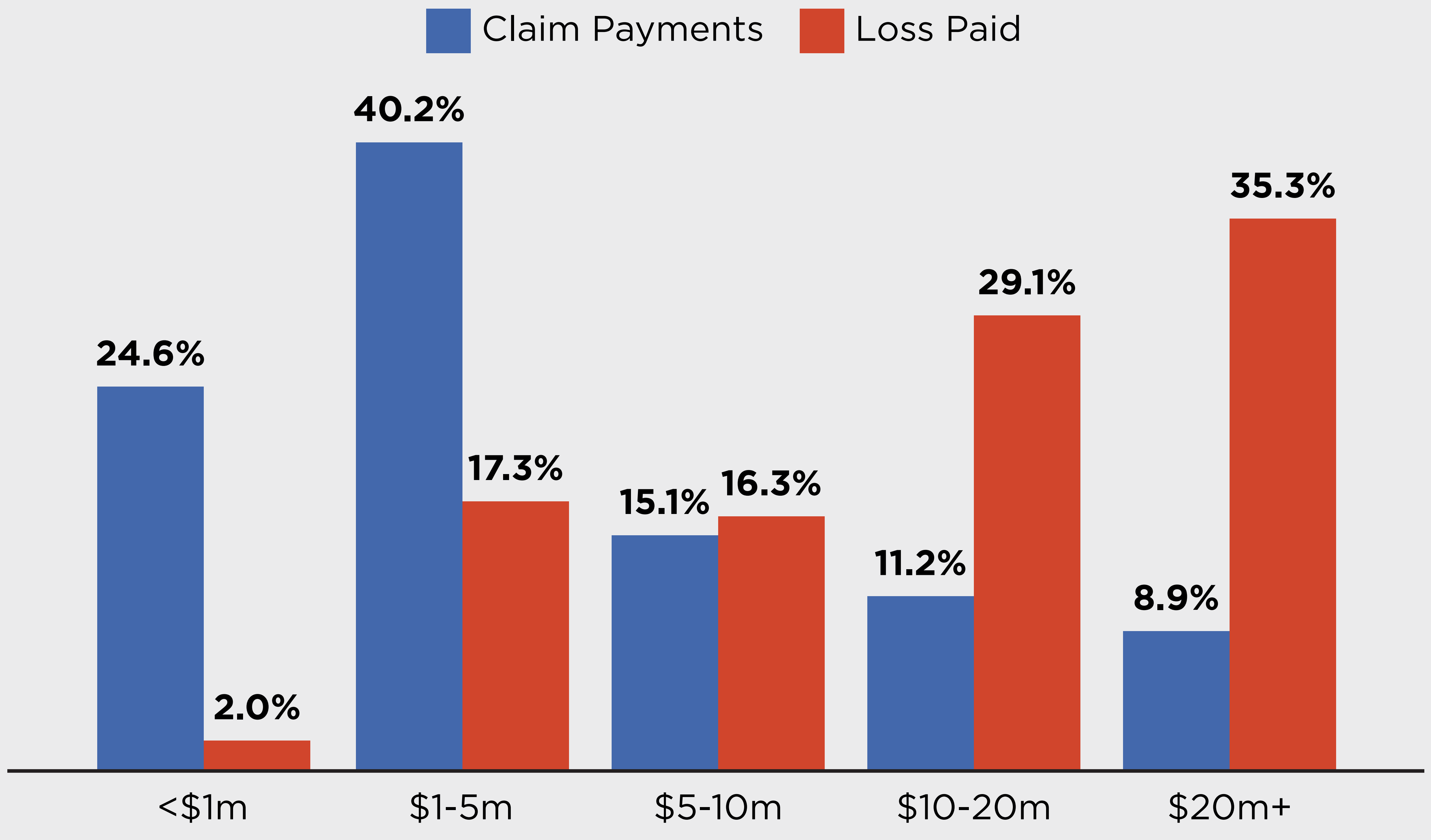
Although claim payments of $10M and up are just over 20% of our claim payments, they collectively add up to almost two-thirds of our loss paid.

On the other hand, although relatively smaller claim payments (of $5M or less) are more frequent—65% of our claim payments—they make up a much lower proportion of our loss paid at 19.2%. While these payments may appear smaller in dollar value, they are often significant in relation to the size of the relevant deal, with nearly 20% constituting more than 5% of the underlying deal value.

ANOTHER ANGLE

Since last year's Study, the concentration of large loss payments has grown. **More than 45% of our TTM loss paid arose out of payments over $20M, 10% higher than the total loss paid arising out of such payments as of July 2024.**

FIGURE 1: Claim Payments and Loss Paid



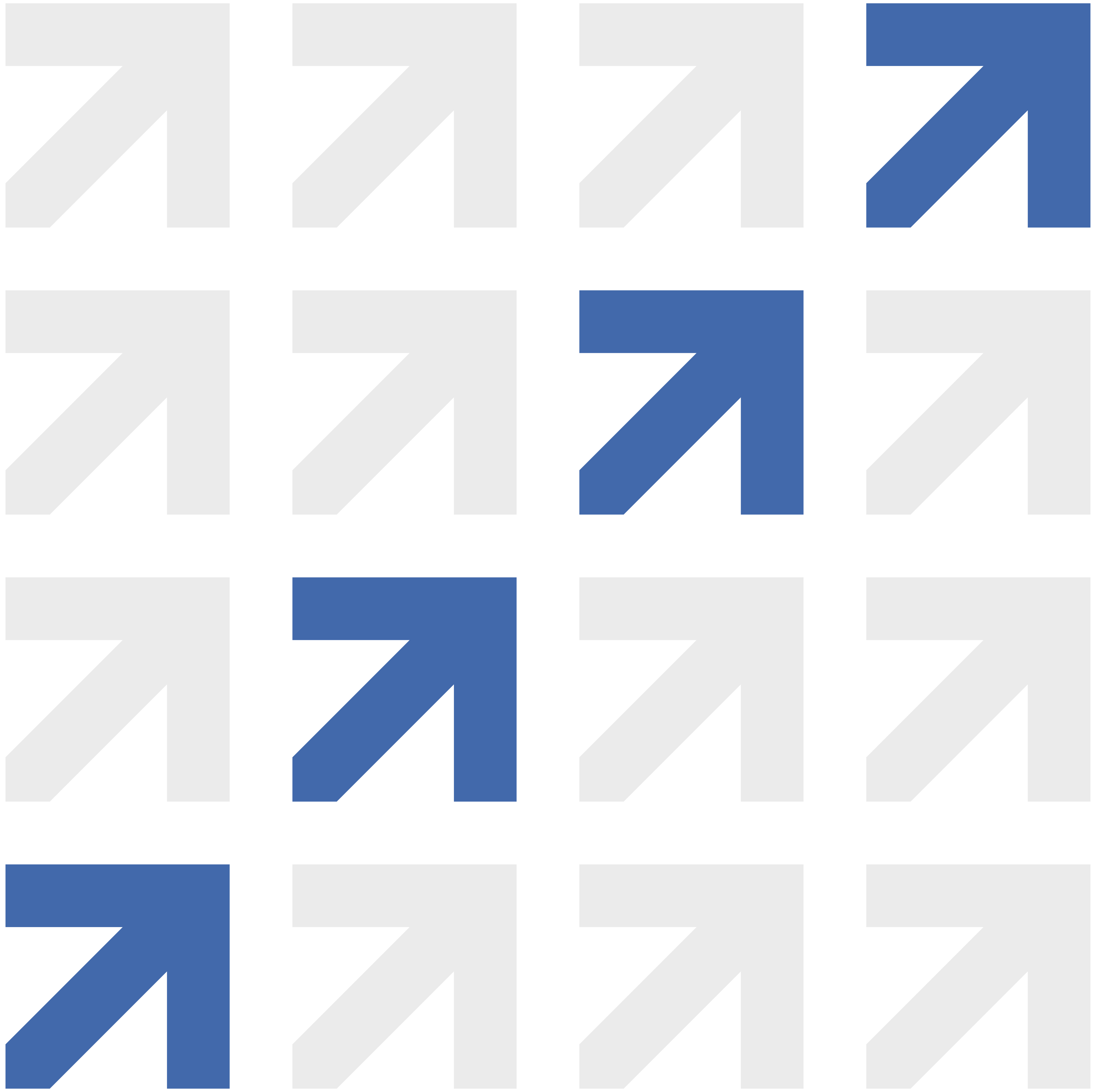
LARGE LOSS PAYMENTS DRIVE OUR BOOK

Claim Spotlights

An analytics firm represented it had proprietary software which allowed it to track certain encrypted transactions. Our client, the buyer, later learned that much of the company's capabilities were fabricated. Euclid worked quickly to understand the changing landscape in the target's industry and the technical aspects of what the target company represented it was capable of—as compared to what it truly was—to validate breach and loss equal to 90% of the policy limit, $22.5M, in less than six months.

Our client acquired a company which assisted professionals in obtaining certifications. The claim notice asserted breaches of numerous representations, the most relevant of which related to failures to meet certain state-mandated standards. This failure cost the company hundreds of millions of dollars in, among other things, lost revenue. Euclid analyzed the claim in tandem with our client, and we were able to resolve the claim for the policy limit of $25M within three months of our clients concluding their investigation.

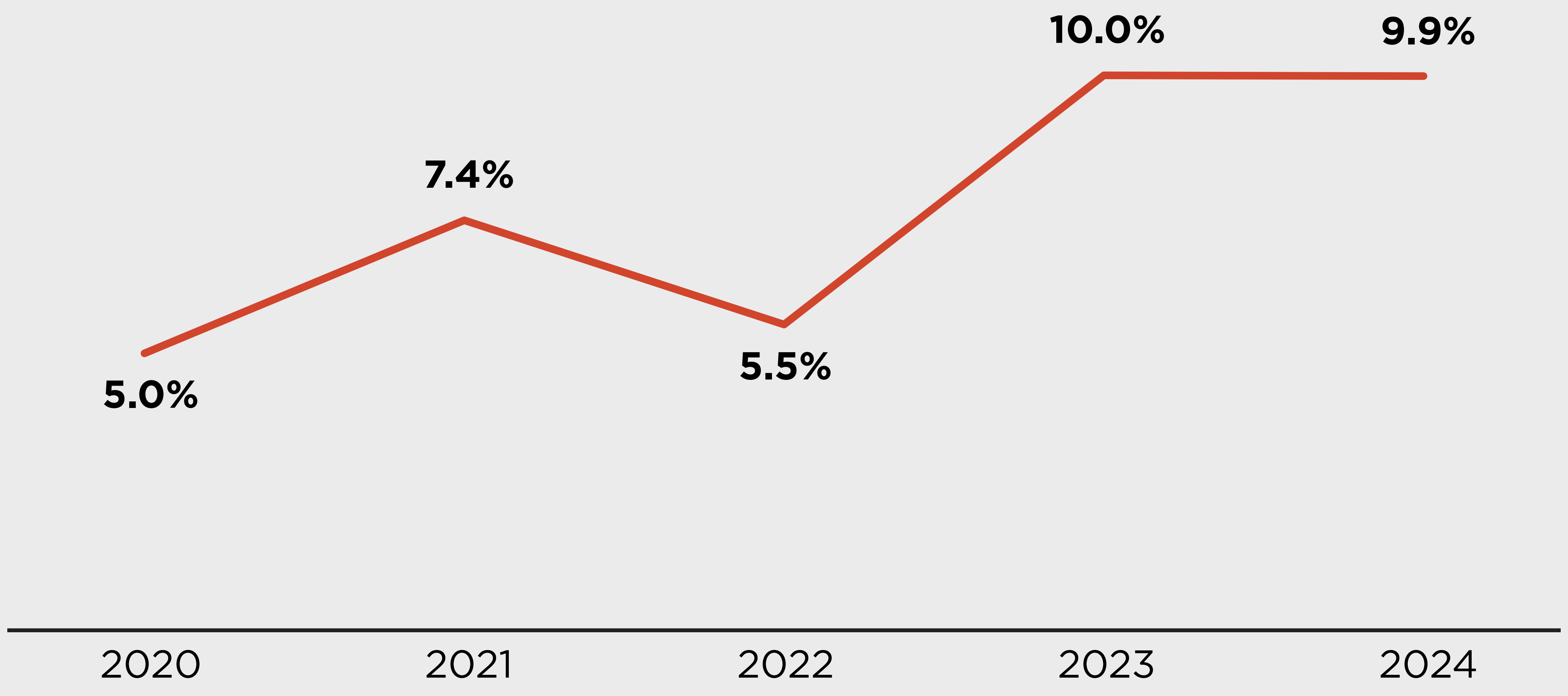
Diminution-in-Value Assertions are Multiplying



Claim notices that assert diminution-in-value damages, including those based on the EBITDA multiple used in the transaction, have almost doubled in recent years.

We have recognized such assertions where warranted, and these payments total $699M, more than two-thirds of our aggregate loss paid. Not all breaches result in valuation-based losses; we evaluate each of these claims to determine whether diminution-in-value loss has been suffered.

FIGURE 2: EBITDA Multiple Assertions on Claims



DIMINUTION-IN-VALUE
ASSERTIONS ARE MULTIPLYING

Claim Spotlights

Arising out of an over-$1B carveout purchase of a group of software companies providing financial and accounting solutions, this claim asserted nearly a dozen misstatements on the target's financials, including a failure to properly accrue COGS and other expenses, variances between certain ledgers, and premature recognition of revenue. Euclid validated the application of a nearly 20x multiple to the errors and our carriers paid the policy limit of $25M six-and-a-half months after receipt of the claim notice.

This claim, principally asserting a breach of representations regarding a material customer, was made on our fourth excess policy. Our client asserted that the loss of income from this customer was subject to an annual recurring revenue multiple and thus the value of the acquisition was diminished. After the underlying insurers paid, we resolved our portion of the claim for a payment of $7.5M.

Speed Matters

We understand that when money is on the line, days can count.

Speed remains a focus for our team, as demonstrated by our closure statistics. **Since 2018, we resolved over 85% of claims within 18 months of receipt of the claim notice.**[1]

When looking at claim payments only, nearly half, 48.3%, are made within 12 months of receipt of a claim notice. **In the 12 months since last year's Claims Study, 54.5% were resolved in under a year, a nearly 18% increase.**

This speed can have real value. **Assuming just a 5% rate of return on investment, making a $25M claim payment a month faster could be worth over $100,000 to our clients.**

[1] These statistics analyze claims which have been closed, i.e., excluding claims which are currently being processed. They include claims closed both with and without payment.

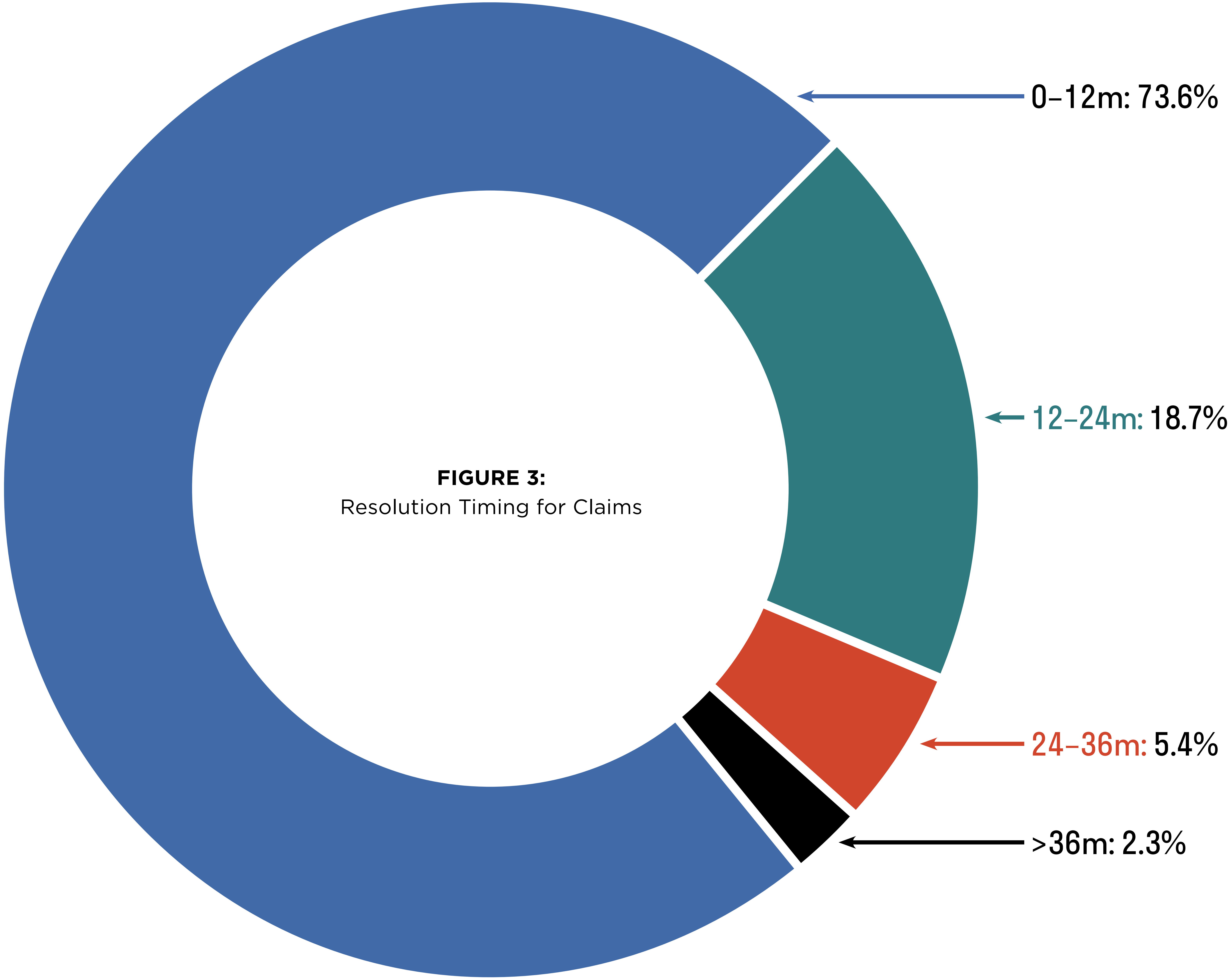


FIGURE 3:
Resolution Timing for Claims

SPEED MATTERS

Claim Spotlights

Upon receiving this claim relating to tax representations, Euclid learned that our client was threatened with criminal penalties if the client did not move quickly to resolve an audit. Euclid moved expeditiously to validate the claim, resulting in the payment of approximately $1.3M within six months of receipt of the claim notice.

After the closing of its acquisition of a home-improvement lender, our client discovered that certain loans issued by the target company were obtained through fraudulent means. Euclid's claim process involved navigating the interplay between our policy and the client's financial institution bond. Euclid worked to make sure our client was made whole, effecting a payment of over CAD 1M within seven months of receipt of the claim notice.

There Are No Risk-Free Deals

The type of seller involved in a deal does not appear to impact our loss results.

Some clients choose to insure only some of their deals, based upon their perception of a given deal's riskiness.

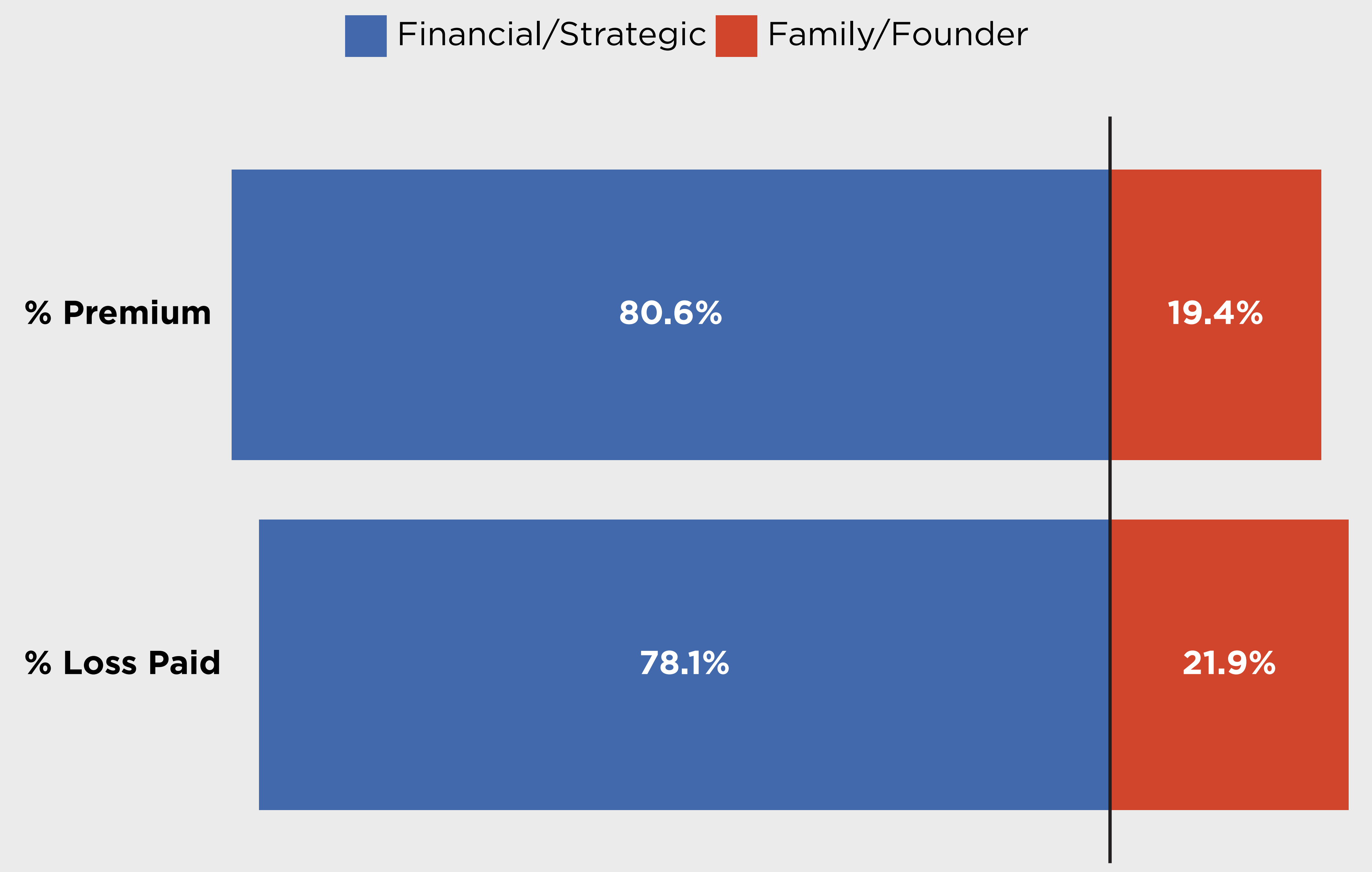
For example, they might choose to self-insure when the seller is a financial sponsor, as opposed to a family or founder. But in our experience, institutional sellers are not less risky than family/founder sellers. **In fact, losses arising from deals with a financial or strategic seller have constituted 78.1% of our total loss paid.**

Though we do issue more policies (and collect more premium) on deals involving institutional sellers, it cannot be ignored that such deals result in claims—and significant loss—as well.

ANOTHER ANGLE

Even those buyers most experienced in acquisitions and diligence cannot guarantee issues won't arise that trigger our policies. Over 17% of our loss paid has been to the Top 25 private equity firms, as ranked by Private Equity International. In fact, the percentage of our loss paid to these firms is higher than the percentage of our premium received from them, which is 13%.

FIGURE 4: Premium vs. Loss Paid by Seller Type



There Are No Risk-Free Deals

Audited financials do not eliminate the risk of a breach.

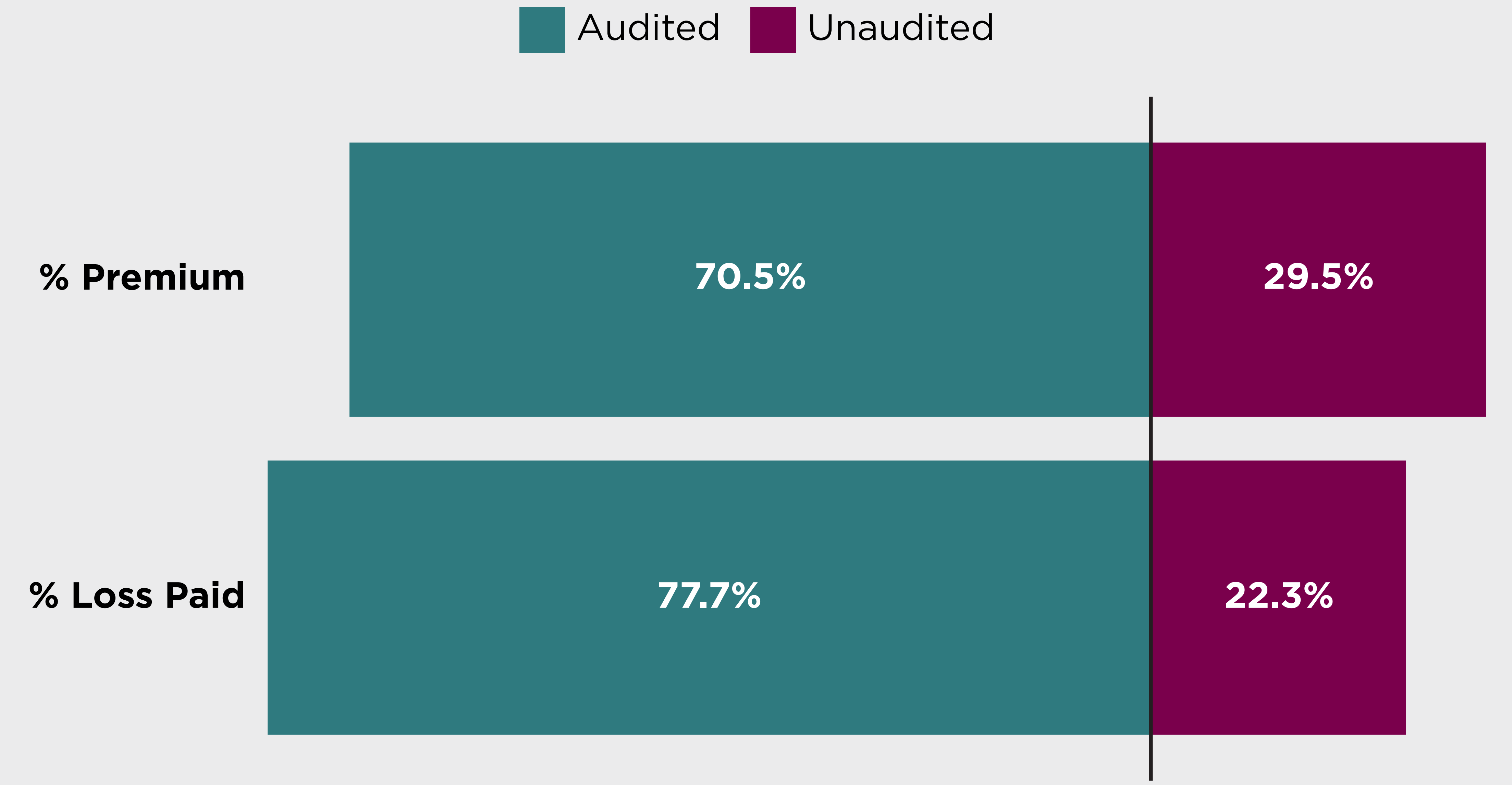
Our data shows that the existence of audited financial statements does not eliminate the risk of misstatements. As shown in Figure 5, our carriers paid three times more loss in the aggregate—$436M—in Financial Statements claims which arise out of acquisitions where a target's financial statements were audited than the $125M for such claims where the target's financials were not audited.

This, too, is not explained by the larger proportion of deals we insure which involve audited financial statements. Counterintuitively, **our loss paid in Financial Statements claims arising out of deals where the target's financial statements were audited is 10.3% higher than the relative premium received on such deals.**

ANOTHER ANGLE

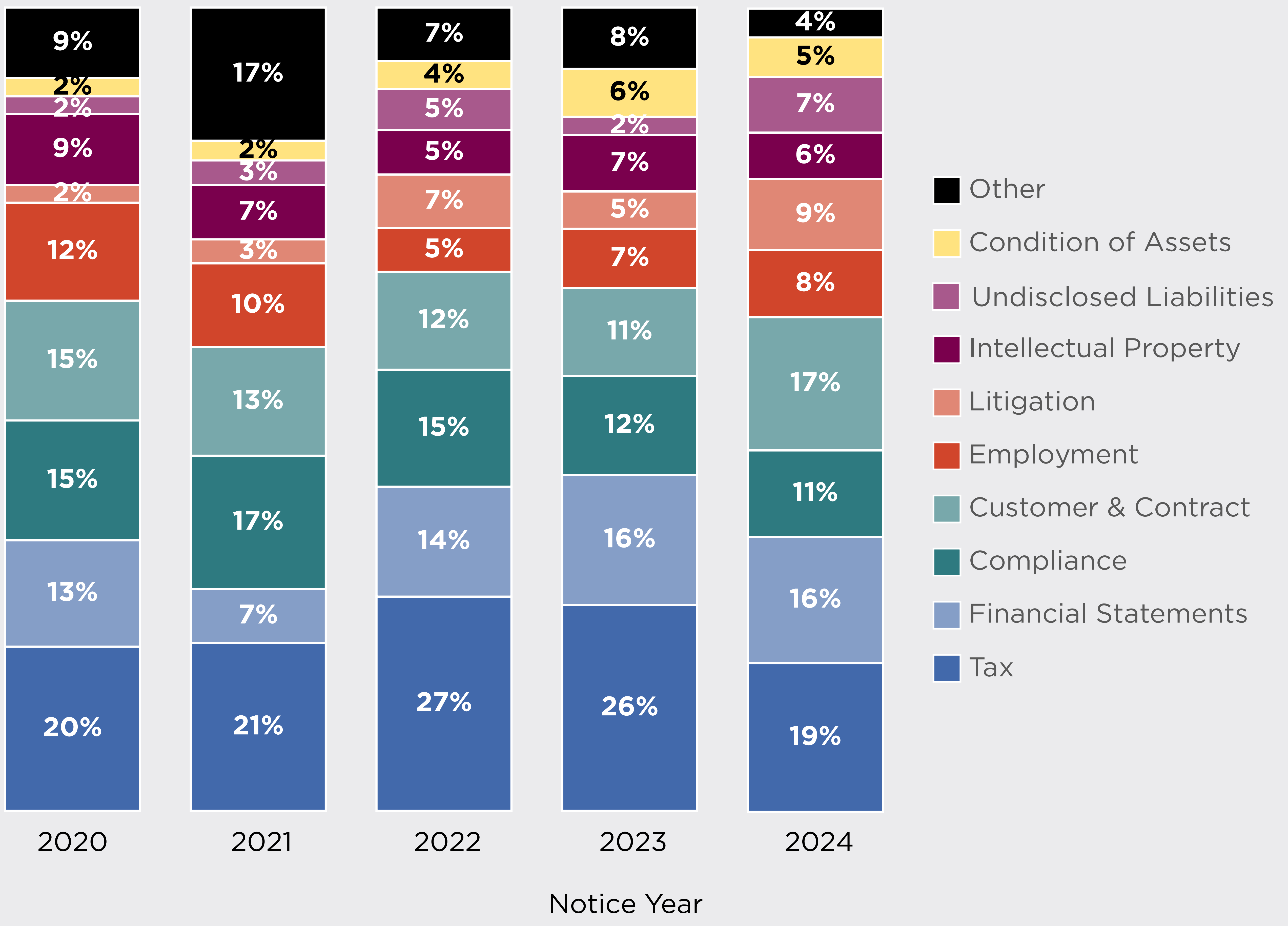
Each of the deals that resulted in a paid Financial Statements claim had engaged an external financial advisor during the diligence period, with the Big Four accounting firms conducting the diligence on over two-thirds.

FIGURE 5: Premium vs. Loss Paid on Financial Statements Claims



The Consistency of Claims: Notices

FIGURE 6: Notices by Claim Type



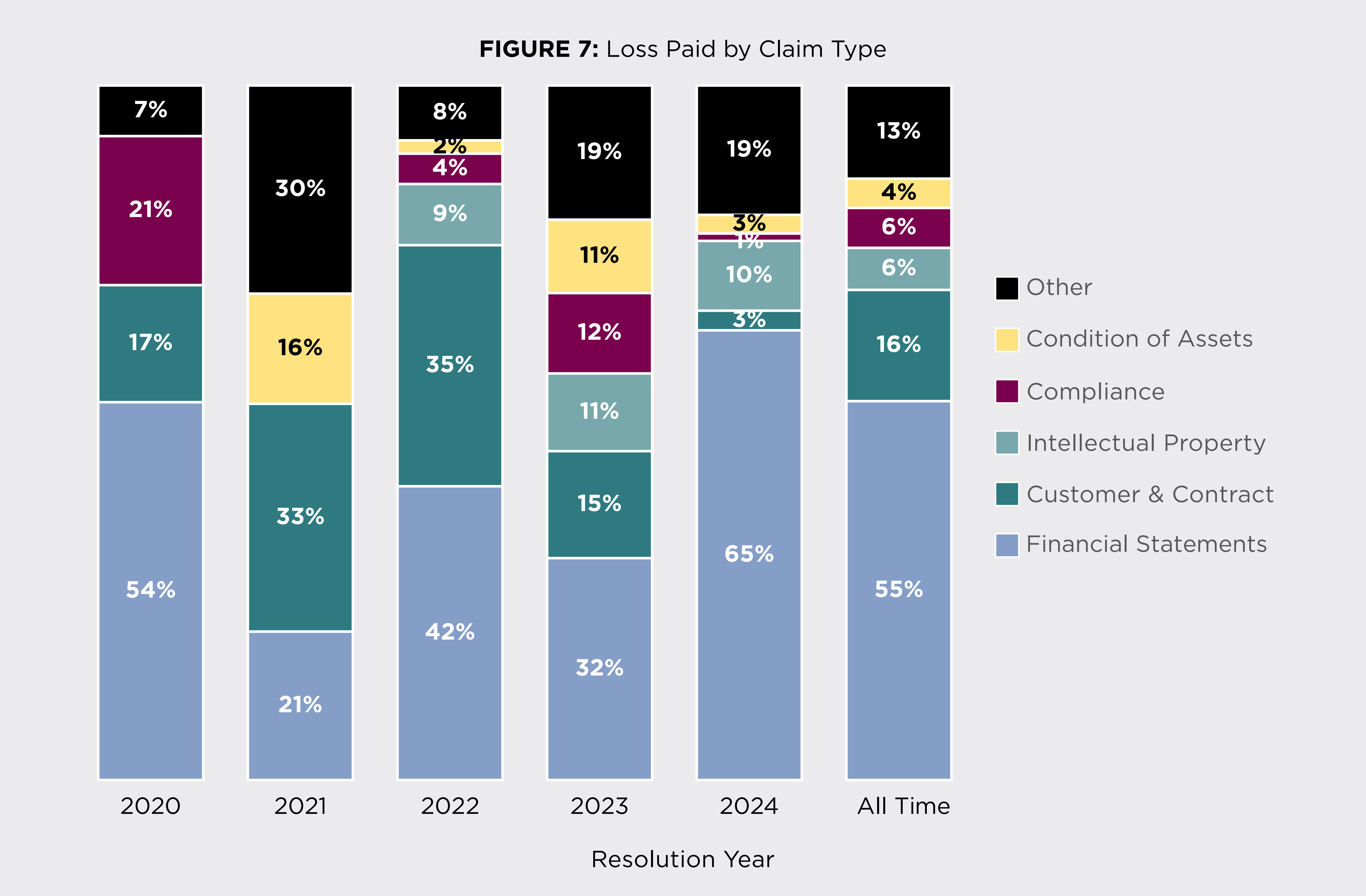
The number of claim notices we receive each year asserting a given breach remains remarkably consistent.

Claim frequency[2] continues to remain steady; we receive 23 claim notices per 100 policies bound. The types of claims asserted remain remarkably consistent.

As shown in Figure 6, claim notices asserting a breach of the tax representations have consistently been the most common breach claimed.

[2] We determine frequency of claims by dividing the number of claims received on policies underwritten within a particular time period by the number of issued policies bound in that same period.

The Consistency of Claims: Loss



Though there is some variation year-over-year of which claim types are paid, Financial Statements claims consistently drive our losses.

Although the claim notices received remain similar, the claims which drive our loss paid each year can vary quite significantly.

Figure 7 shows that Financial Statement claims are frequently our number one driver of loss paid within a year, though there is some variety in the proportions.

Looking at our all-time statistics, Financial Statements claims constitute 55% of our loss paid and 41% of our claim payments.

EMEA & APAC

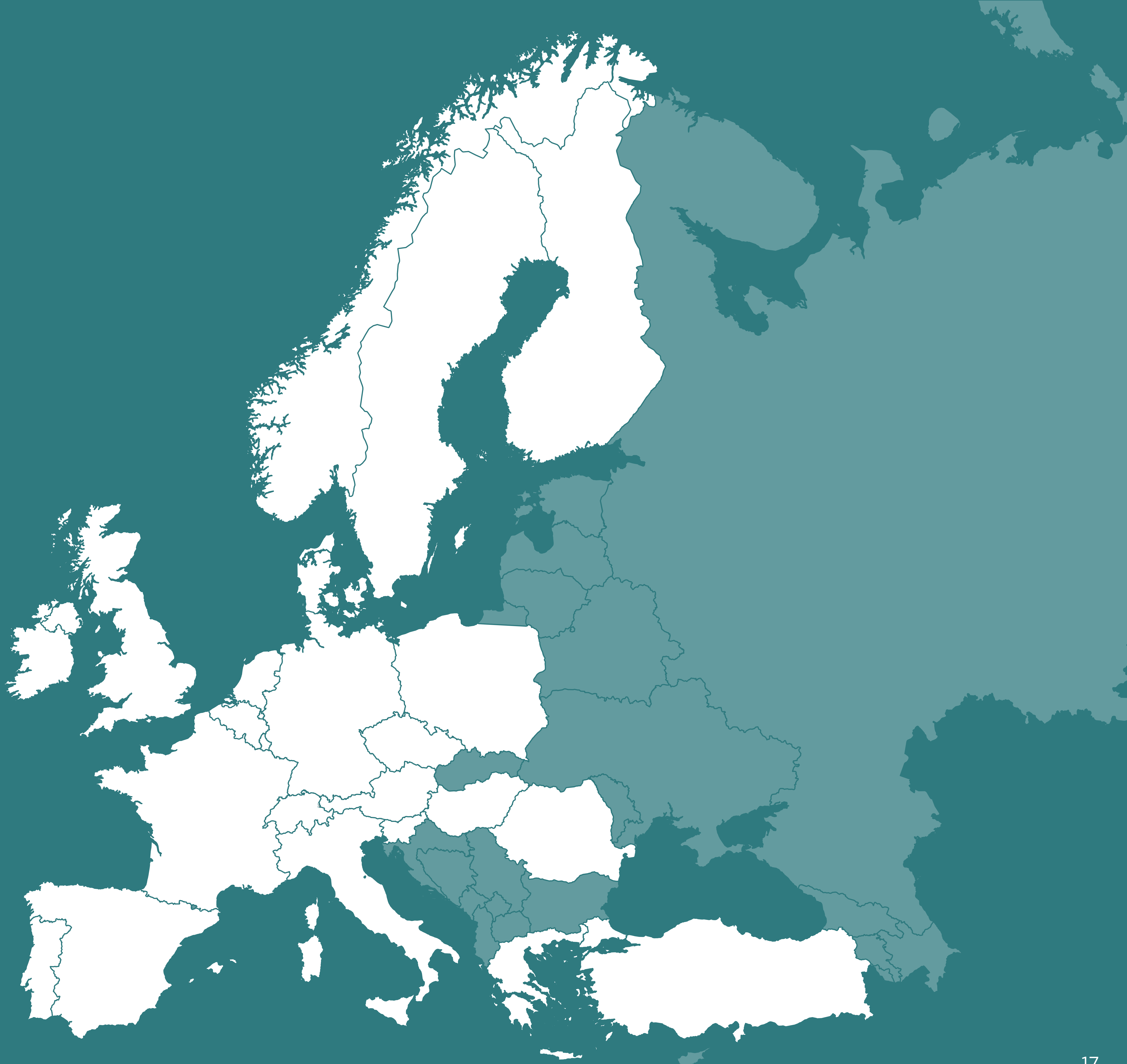
REGIONAL SPOTLIGHT:

EMEA

As of July 2025, we incurred nearly $200M of loss in EMEA, drawing lessons from this experience with each claim we handle.

Since receiving our first EMEA claim notice in 2019, a substantial portion of our Incurred Loss[3] has arisen from claims within the region. This experience leads us to conclude that **there are no risk-free jurisdictions in EMEA**. As can be seen on the map on this page, we have handled claims which relate to almost all of the largest economies throughout the UK and Europe.

[3] "Incurred Loss" refers to loss paid, plus the amount of reserves we have posted on claims that we expect to be paid.



REGIONAL SPOTLIGHT: UK & EUROPE

Claim Spotlights

Our client purchased a large property portfolio—an industry that was not previously understood to be a high driver of loss—in a jurisdiction considered relatively low-risk. However, our client discovered after closing that the rent received was significantly less than expected. Evaluation of loss was complex due to multiple factors, including the number of properties, leases, and tenants at issue, and the varying conditions of the properties. We worked collaboratively with our client to resolve the claim for a payment of over EUR 15M.

This financial statements claim, which was resolved for approximately EUR 3.5M, involved a large international private equity firm. Having worked previously with this firm, which has bound multiple policies with us globally, we were able to build on our collaborative relationship: we understood the way they thought about deals and the particular acquisition's business model, while they had familiarity with our claim process. This allowed the opportunity for creative solutions and open discussions.

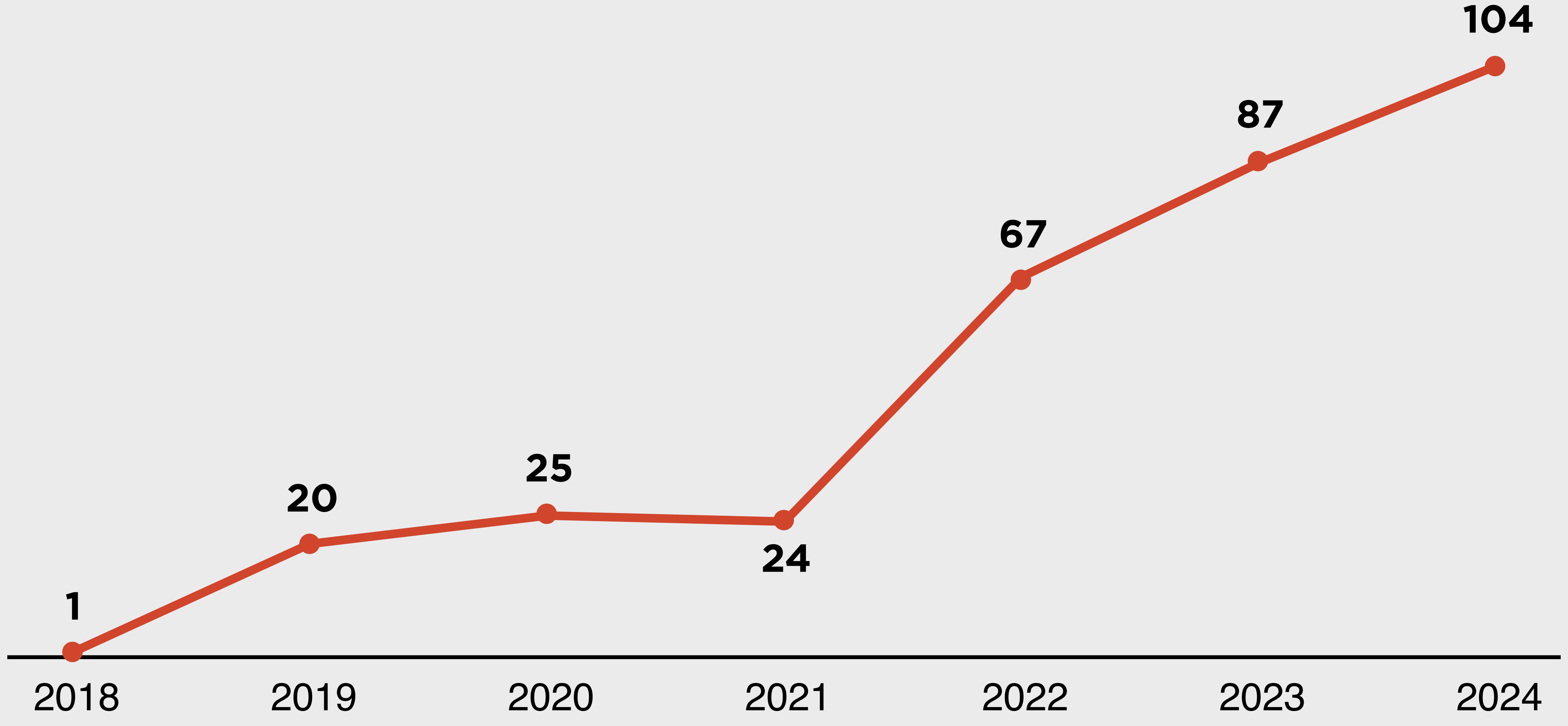
Claim Volume is Increasing

We anticipated the increase in claims received in EMEA and APAC, but it is still a noteworthy trend.

As our presence in EMEA has grown, so has the number of claims that we receive year-over-year. **In fact, we have seen a 333% increase in claim notices per year from 2021 to 2024.**

We expected this growth. Indeed, it is proportionate to the number of policies issued and thus does not represent an increase in claim frequency. We have proactively built out our EMEA and APAC claims team to five fully-dedicated claims specialists to be ready to handle claims as they are noticed.

FIGURE 8: EMEA & APAC Notices by Year



The Consistency of Claims: EMEA

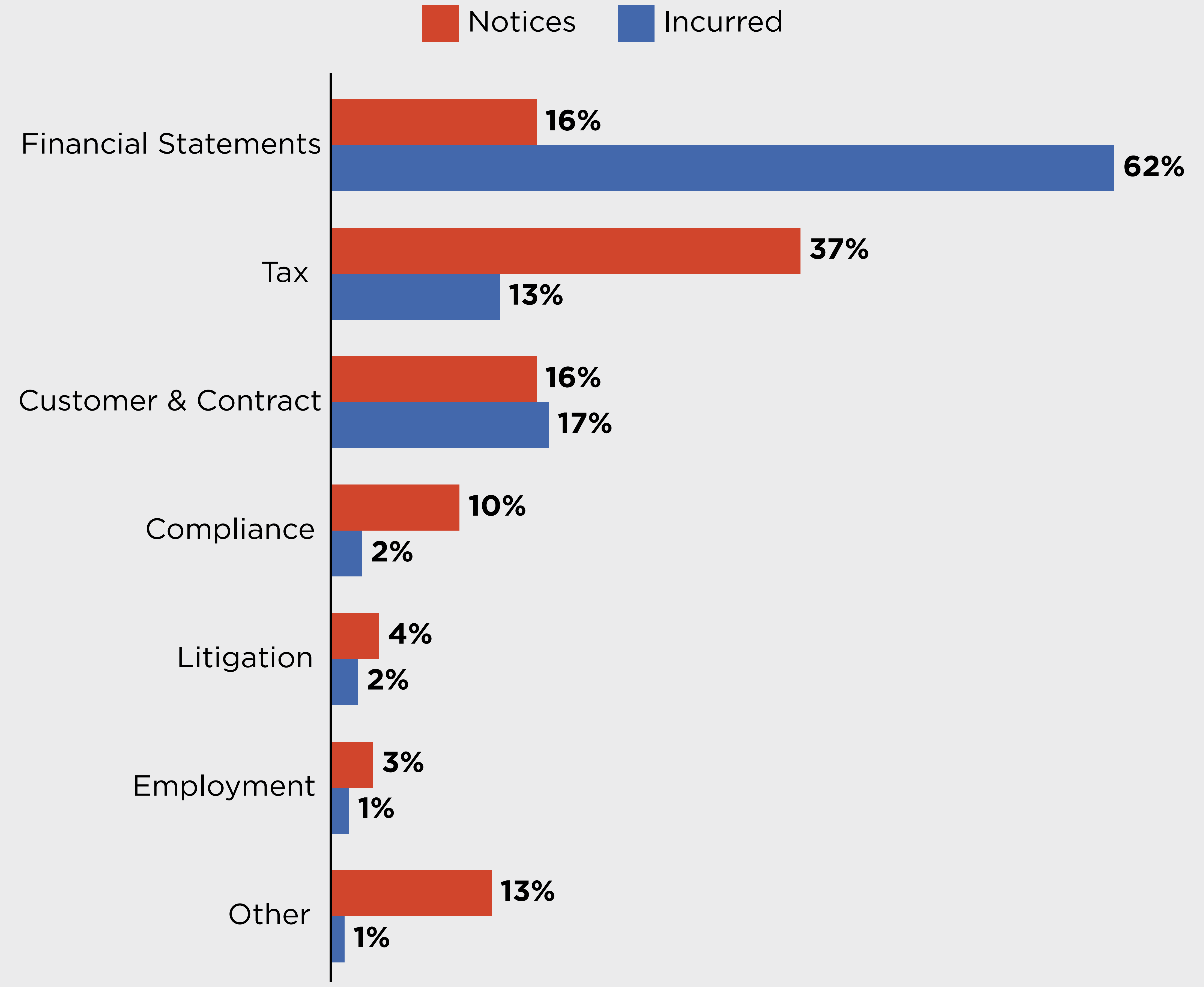
Though claims arising out of breaches of tax representations constitute a larger proportion of claims received, most of our Incurred Loss still relates to breaches of financial statement representations.

Figure 9 analyzes the types of claims we see across EMEA, by both frequency of notice received and incurred loss. **While Financial Statements claims continue to represent the majority of our EMEA Incurred Loss, they are only 16% of our claim notices received—indicating that these are often high-severity, lower-frequency matters.**

In contrast, Customer and Compliance claims present more balanced profiles, with moderate claim counts and incurred loss.

Claims asserting breaches of representations relating to taxes remain our most frequently cited representation, at nearly 40% of our claims.

FIGURE 9: EMEA Notices vs. Incurred by Claim Type



REGIONAL SPOTLIGHT:

APAC

For close to a decade, we have been trusted by clients to underwrite their most complicated deals, with operations and assets all over the world.

Our growing experience in APAC is built on this foundation. In connection with claims received under policies underwritten in North America and EMEA, we have managed claims arising in India, Hong Kong, China, the Philippines, Australia, New Zealand, Japan, and Singapore. Consistent with this claims experience in EMEA and North America, APAC claims span a broad spectrum of issues, including patent disputes, tax matters, and other third-party claims.

In August, we celebrated our APAC team's one-year anniversary.

Over this period, we have insured transactions with an aggregate enterprise value exceeding USD 30 billion. We are preparing to make our first seven-figure payment in this region in the near future. In line with global trends, we anticipate an increase in claims activity in the region and will continue to monitor developments closely.

Closing Consideration

THE PATH TO

$1 Billion Loss Paid

It took six years to pay our first $500M. We paid the next $500M in less than two.

As the industry has continued to grow, our claims team has scaled along with it. In our dedication to provide best-in-class service and to stay ahead of the 27 claims we receive per month on average, we now have 26 full time professionals dedicated to handling our claims. As the market for RWI expands, claims will continue to be made at a similar pace, and we feel our team is best equipped to handle it.

We are always looking to improve. Please reach out with any feedback on our claims handling or this study at ClaimStudy@EuclidTransactional.com. We love to hear from you!

Our Team

Euclid Transactional has the world's largest fully dedicated transactional liability claims team.

SENIOR LEADERSHIP

CHIEF LEGAL OFFICER
Meg Gardiner
mgardiner@euclidtransactional.com

MANAGING DIRECTOR CLAIMS EMEA & APAC, GENERAL COUNSEL
Daniella Smith
dsmith@euclidtransactional.com

CLAIMS HANDLERS

NORTH AMERICA
Joe Corsello
Rose Kenerson
Len Loewith, Canada
Nick Morales
Arielle Nagel
Denise Veliky
Chris Ziemba
Brittany Zimmer

EMEA & APAC
Noreen Howard
Rachel Lobley
Aoife Ryan
Layla Sousou

CLAIMS ANALYSTS & SUPPORT STAFF

NORTH AMERICA
Lila Ameen
Teryn Colmery
Nicole Daniell
Denise Freedman
Abby Kennedy
Gretchen Kinlaw
Emily Luong
Carson Nisbeth, Canada
Emmet Santry

EMEA & APAC
Mayara da Silva Murray
Julia Stumpf
Phuong Thai

CONTACT

ClaimStudy@EuclidTransactional.com
EuclidTransactional.com
Euclid-Transactional

Thank You