EUCLID TRANSACTIONAL
A CRC GROUP COMPANY

Global Warranties & Indemnities Insurance

# Claims Study 2026

10

YEARS OF SERVICE

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

**Looking Back at 10 Years:** Since issuing our first policy in 2016, our carriers have paid $1.686B in W&I loss to our clients across 8,502 transactions with a combined enterprise value of $9.4T.

**Severity Continues to be the Story:** 54% of our loss paid in the latest year covered by this study arose from payments of $20M or more; this is up from 40% in prior years.

**Speed Matters:** Over 73% of all claim notices are processed and resolved within 12 months of receipt of the initial notice, and we have seen our clients get paid 40% faster on first-party claims when we are primary and controlling the claims process as compared to when we are excess of another market.

**Consistency in Loss Paid:** In the latest period covered by this study, Financial Statements and Customer & Contract claims combined for 71% of our loss paid, which is relatively consistent with 69%, historically.

**EMEA Claims Continue to Increase:** Claim notices in EMEA have grown from just 20 notices in 2019 to 222 in the latest year covered by this study. Loss paid has increased by 59% compared to the year prior.

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

**Continue the discussion with us on LinkedIn @Euclid-Transactional**

# Dear Reader,

**2026 marks Euclid Transactional's tenth year underwriting transactional liability policies.**

Over the past decade, we have seen periods of tremendous growth and disruption in the world of M&A triggered by new technologies, changes in interest rates and other macroeconomic trends. We have also seen continued spread of transactional liability (TL) products. What was once a product used predominantly by private equity sponsors only in certain jurisdictions has been adopted almost as ubiquitously by strategic acquirers and in many more locations. The spread of the product led to an increase in underwriters offering TL products.

However, the TL industry itself is in a period of dislocation. After years of a "soft market" where carriers generally did not receive enough premium to pay their own costs and claims profitably, several insurers have exited. Although competition remains robust, the remaining carriers must use the data they have gleaned from this challenging period to make better decisions about what rates to charge and what terms to offer in order to make the product sustainable long term.

In the next decade, we suspect that there will likely be fewer TL underwriters as capital flows to the companies that have the scale, data and expertise to provide the premium service that clients expect while delivering stable and profitable long-term results. Pricing should fluctuate less with M&A cycles and be increasingly tied to the rates required to deliver those results.

One point of consistency from the last ten years that will continue is Euclid Transactional has been and will remain dedicated to delivering fast and fair outcomes in both underwriting and claims. We will always be available to work through the thorniest of issues. We welcome the opportunity to discuss the data in this report and the broader issues they raise.

We are extremely grateful for the efforts of our team, who have put in ten years of tireless work to generate the policies and claims payments that underlie this report. Thanks also to our broker, carrier, client and other partners who have supported us loyally.

Thank you as always,

EUCLID TRANSACTIONAL
A CRC GROUP COMPANY

LOSS PAID

**$1.686B**

CLAIM PAYMENTS

**255**

AVERAGE PAYMENT SIZE

**$6.6M**

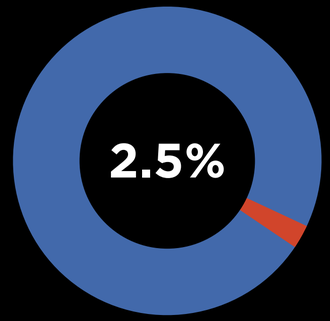
**SINCE THE PRIOR STUDY**
both claims payments and aggregate loss paid increased.

44% **+$518.3M** LOSS PAID

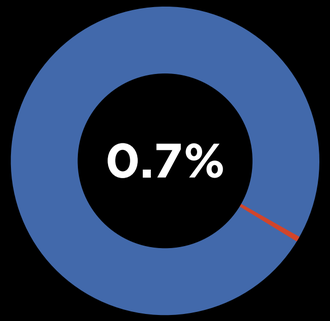
39% **+72** CLAIM PAYMENTS

**$7.2M** AVERAGE PAYMENT SIZE

CLAIMS DENIED




CLAIMS IN FORMAL DISPUTE




# Global Claims

## AT A GLANCE

BOUND POLICIES

**9,449**

ENTERPRISE DEAL VALUE INSURED

**$9.4T**

LARGEST PAYMENT

**$41.32M**

CLAIM PAYMENTS OF $20M+

**30**

# Global Findings

# 01

Claim payments of $20M or more accounted for 54% of our aggregate loss paid in the most recent 12-month period covered by this study.


**01** Severe Losses Are Increasing

**02** State of the Market

**03** Retentions and the Value Proposition of W&I

**04** We Strive to Resolve Claims Quickly and Efficiently

**05** Different Claims Run on Different Timelines

**06** Consistency of Loss Paid

**07** Assortment of Financial Statements Claim Types

**08** The Cost of Defending Claims

**09** The Claims We See Most Are Not Always the Claims That Drive Loss

**10** APAC Claims Experience Is Taking Shape

**11** Global Claims Experience Is Compounding


# SEVERE LOSSES ARE INCREASING

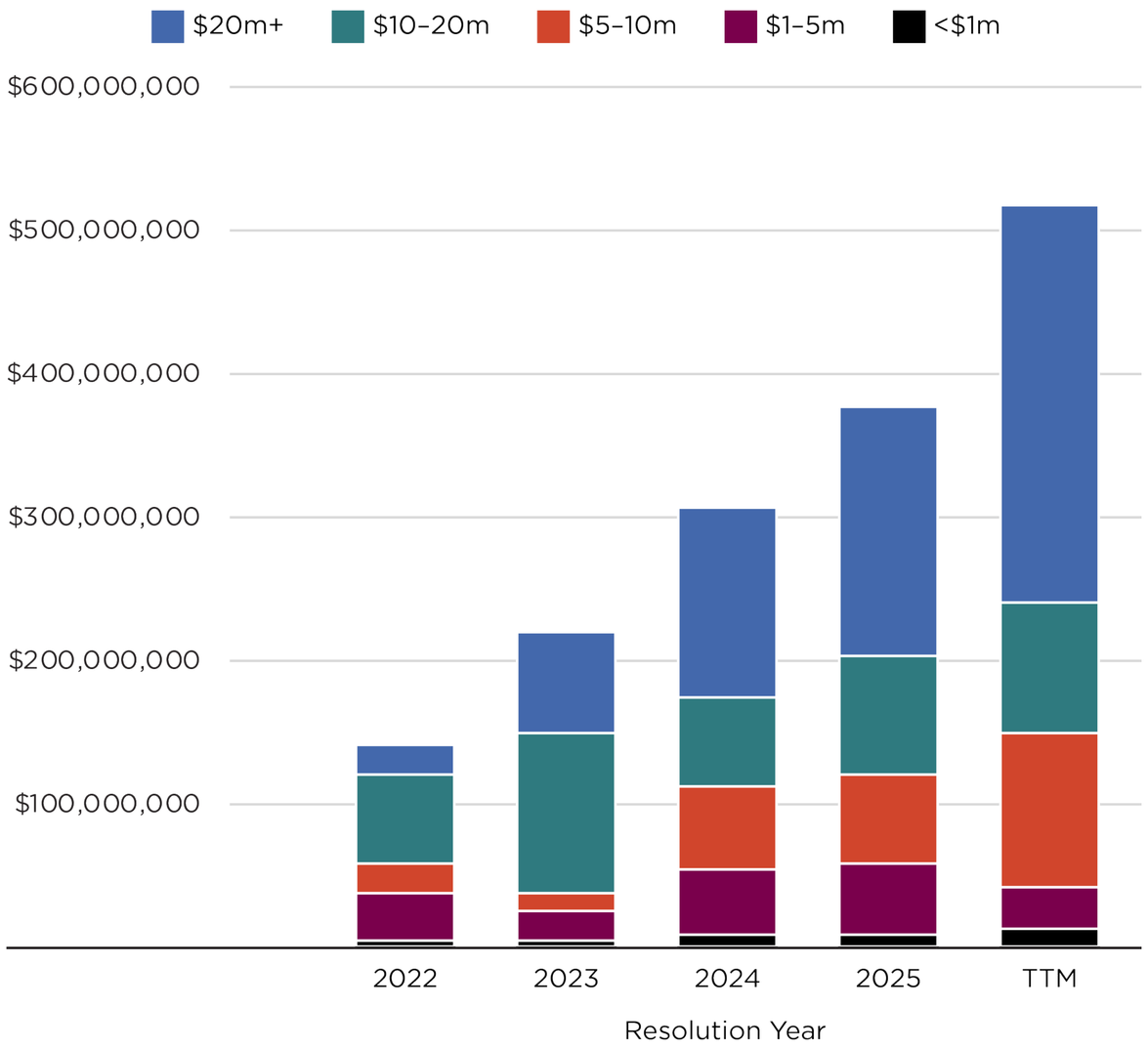
Severe claims (defined here as claims resulting in payments of $20M or more) continue to increase both in dollar amount and in frequency. In the last 12 months, we made 11 severe claim payments, up from 6 in the prior 12 months. These severe claims accounted for 54% of all loss paid during that period, a record percentage in this bucket.

Material claims are not isolated to nominally large claim payments either. On deals with an enterprise value (EV) of less than $250M, payments of 75% or more of the policy limit account for nearly 50% of our loss paid in this deal band. Although not all of these claims fall into the definition of "severe claim," they represent meaningful recoveries in the context of the deals in which they relate.

**CLAIM SPOTLIGHT**

Our client acquired a company providing emergency repair services for over $500M. Shortly after closing, the client discovered that the company had failed to properly reserve for uncollectable accounts receivable, which resulted in material inaccuracies in the financial statements and diminution in value of their investment of at least 5%. We analysed the claim in tandem with our client and resolved the claim for the policy limit of $25M.

**FIGURE 1:** Loss Paid by Payment Size



02

In order to maintain a sustainable W&I market, changes to the current combination of pricing, retentions and coverage terms are needed.


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# STATE OF THE MARKET

The North American RWI industry will not be profitable on policies underwritten during 2023 and 2024, based on information gathered from our industry conversations. While not yet as severe as in North America, the claims landscape in EMEA also looks challenging for these years. Maintaining a profitable market is important for clients because, as recent carrier departures from the space have shown, insurers will exit unprofitable lines of business. For this complicated line of insurance, it is critical that the underwriter that knew and understood the coverage will be around to stand behind its policies when claims arise.

What needs to happen to ensure the ongoing health of the industry? While there is debate about which factors carry the most blame, it is fairly clear that the prevailing combination of pricing, retentions and coverage that we saw in 2023 and 2024 was insufficient to insure all deals in a sustainable way. Therefore, to return the industry to health, we think that pulling some mixture of all three of these levers will be necessary to deliver better long-term results for both underwriters and clients.

We have much more clarity in 2026 than we did in 2023 and 2024 regarding how much rate is needed to profitably underwrite this business. When we released our first claims study in 2023, we had only paid $561M in claims, and there was not yet enough data to show us with statistical significance what profitable premium levels were. As a result, pricing was based too heavily on supply and demand: the more bandwidth underwriters had, the lower pricing would get. Since deal activity was relatively low in 2023 and 2024 compared to 2021 and early 2022 without any corresponding decrease in carrier capacity or human capital, rates plummeted: our North American RWI rates went from a quarterly high of 5.73% in Q1 2022 to 2.65% in Q2 2024. Similarly, rates in EMEA decreased from 2.11% in Q3 2022 to 1.46% in Q3 2024. Now, with an additional 158 claim payments made globally since that first study, we can say with confidence that those rates were not profitable. Underwriters such as Euclid Transactional are now developing a critical mass of claims information to make better decisions about pricing that are based more on the merits of individual deals rather than how busy the underwriter quoting the deal is. Rates have appropriately risen from the lows of 2024, and we hope that as the market continues to develop its data set, clients will be able to expect pricing that does not fluctuate as drastically and instead reflects the value they are receiving.


What needs to happen to ensure the ongoing health of the industry?

02

While rate has rebounded somewhat from the lows of 2024, average retentions have continued to fall and coverage remains broad.


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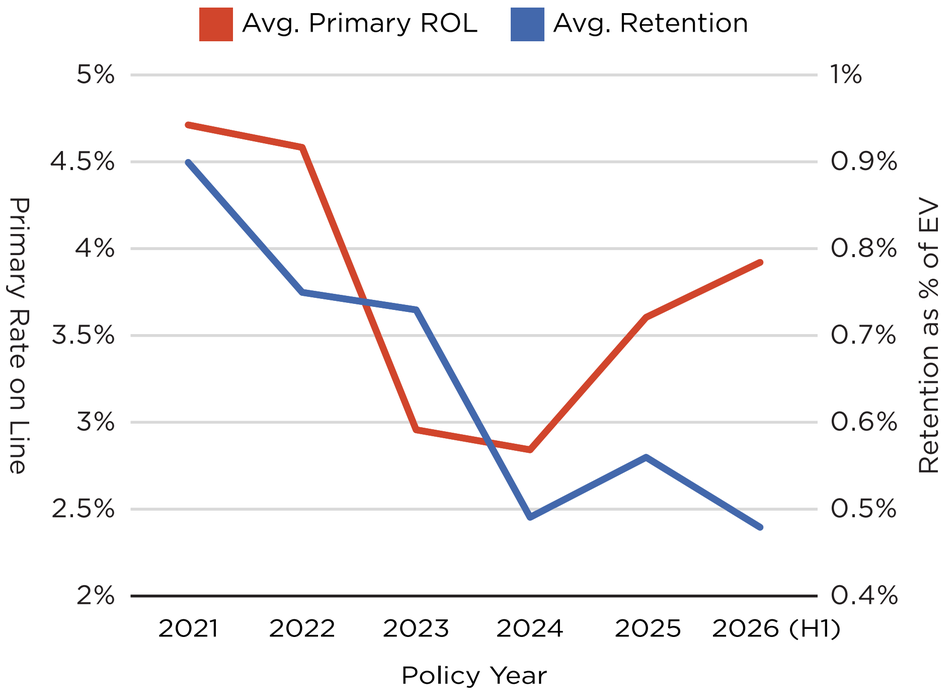

# STATE OF THE MARKET

Retention levels have consistently decreased over the last decade. This factor impacts the market in several ways. Lower attachment points increase the likelihood and frequency of smaller claim payments, with the more material impact being the overall increase in the risk pool that carriers insure. Perhaps less obviously, dwindling retentions have raised questions in some circles about moral hazard. Most insured deals now have no seller indemnity. With low insurance attachment points resulting in buyers also having little skin in the game, do deal parties have the incentive to accurately disclose and perform the best due diligence? For many reasons, we think the answer is 'yes' and incentives remain aligned, but we constantly monitor buyers' and sellers' behaviour to ensure that they are not shifting known or knowable risks to insurance. To the extent this is happening, rates and retentions must increase and coverage must narrow to properly account for this allocation of risk.

Lastly, RWI policies provide coverage that is broader than what a buyer can receive from a seller in an indemnity in many ways. If the industry cannot achieve sustainability through increasing rate or retentions, parties may need to look towards paring back certain policy "enhancements" that have developed over the years.

After having made over $1.7B in payments and enabling sellers to exit cleanly from 8,502 transactions without leaving behind a meaningful escrow, we think it is clear that this product delivers significant value to both sides of an M&A transaction. Getting to the right combination of pricing, retentions and terms that allows the industry to return to profitability and continue to deliver the most value to deal parties will often be a deal-specific determination and should be an ongoing discussion between all stakeholders including brokers, lawyers and clients. We look forward to partnering with all as the conversation continues.

**FIGURE 2:** North America Primary RWI— Average Rate on Line and Retention



03

Most loss paid arises from claims that are material relative to deal size, reinforcing the value of structuring W&I to respond to meaningful losses.


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# RETENTIONS AND THE VALUE PROPOSITION OF W&I

While claims below 1% of enterprise value account for a meaningful share of claims activity, they represent only 11% of our primary loss paid. By contrast, **nearly 90% of loss paid arises from claims exceeding 1% of enterprise value,** and over 70% arises from claims exceeding 2.5% of enterprise value.

Lower retentions may increase responsiveness to smaller matters, but it comes at a material cost to both insureds and insurers. These costs include both the costs associated with increased underwriting friction and the additional claims handling resources needed to handle more low-severity matters, as well as the significantly higher rate-on-line needed to insure this bottom portion of a transaction.

As W&I continues to move from historically market-based to more data-driven terms, insureds may consider replacing the high cost of a lower retention with additional lower cost limits that can cover a much greater percentage of a target's EV.

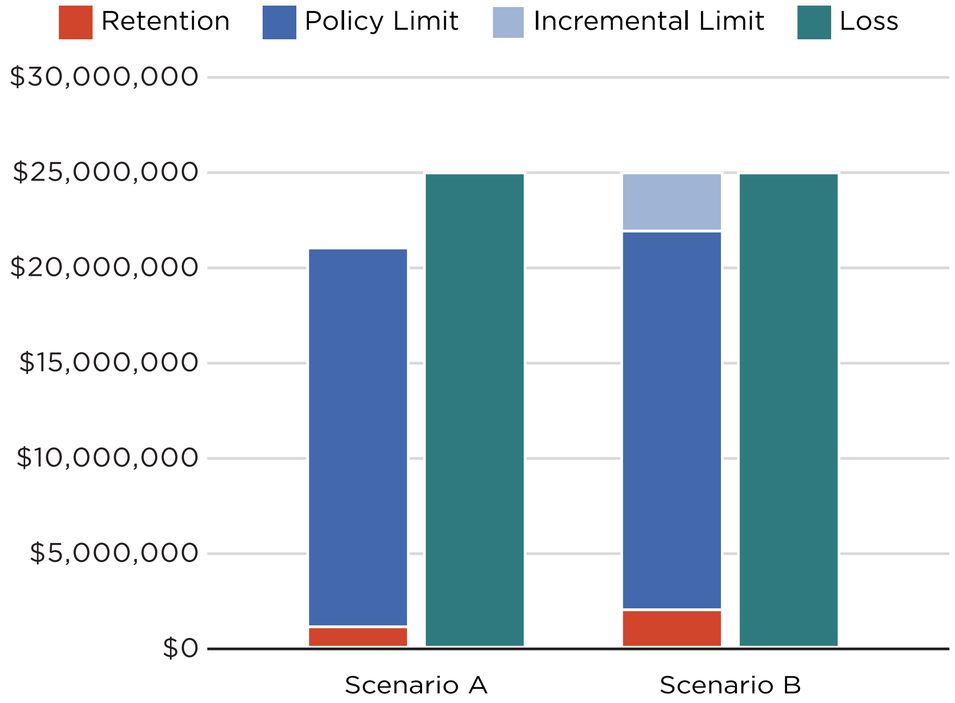
**ANOTHER ANGLE**

To provide an illustrative example, we look at two alternative policy structures and how they respond to a material claim. In this hypothetical, a target with a $200M EV suffers the loss of a material customer resulting in a covered claim with a valuation impact of $25M.

In Scenario A, the buyer elected a low retention of $1M (0.5% of EV) and a $20M policy limit, resulting in recovery of the full $20M limit and an uninsured loss of $4M. In Scenario B, the buyer elected a retention of $2M (1% of EV) and used the savings to purchase additional limits for total coverage of $23M. As a result, the buyer recovers the $23M limit with an uninsured loss of only the $2M retention, or half of the uninsured loss compared to Scenario A.

We show this to highlight the choice that buyers will ultimately need to make in deciding between a structure that provides more protection for additional low-severity matters or a structure that provides more protection against severe claims that have a material impact on their valuation.

**FIGURE 3:** Illustrative Example



# 04

Timely claims handling is critical to our clients, and our claims handling process is designed to provide it.


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# WE STRIVE TO RESOLVE CLAIMS QUICKLY AND EFFICIENTLY

Over 73% of all claim notices are processed and resolved within 12 months of receipt of the initial notice. That figure increases to over 92% within the first 24 months.

Our process provides a differentiated value to our clients, and our data shows that we are faster than other insurers at resolving claims. **On first-party claims in which we made a claim payment, the primary policy paid out 40% faster when we are primary and controlling the claims process compared to when we are excess and another party is handling the investigation.**

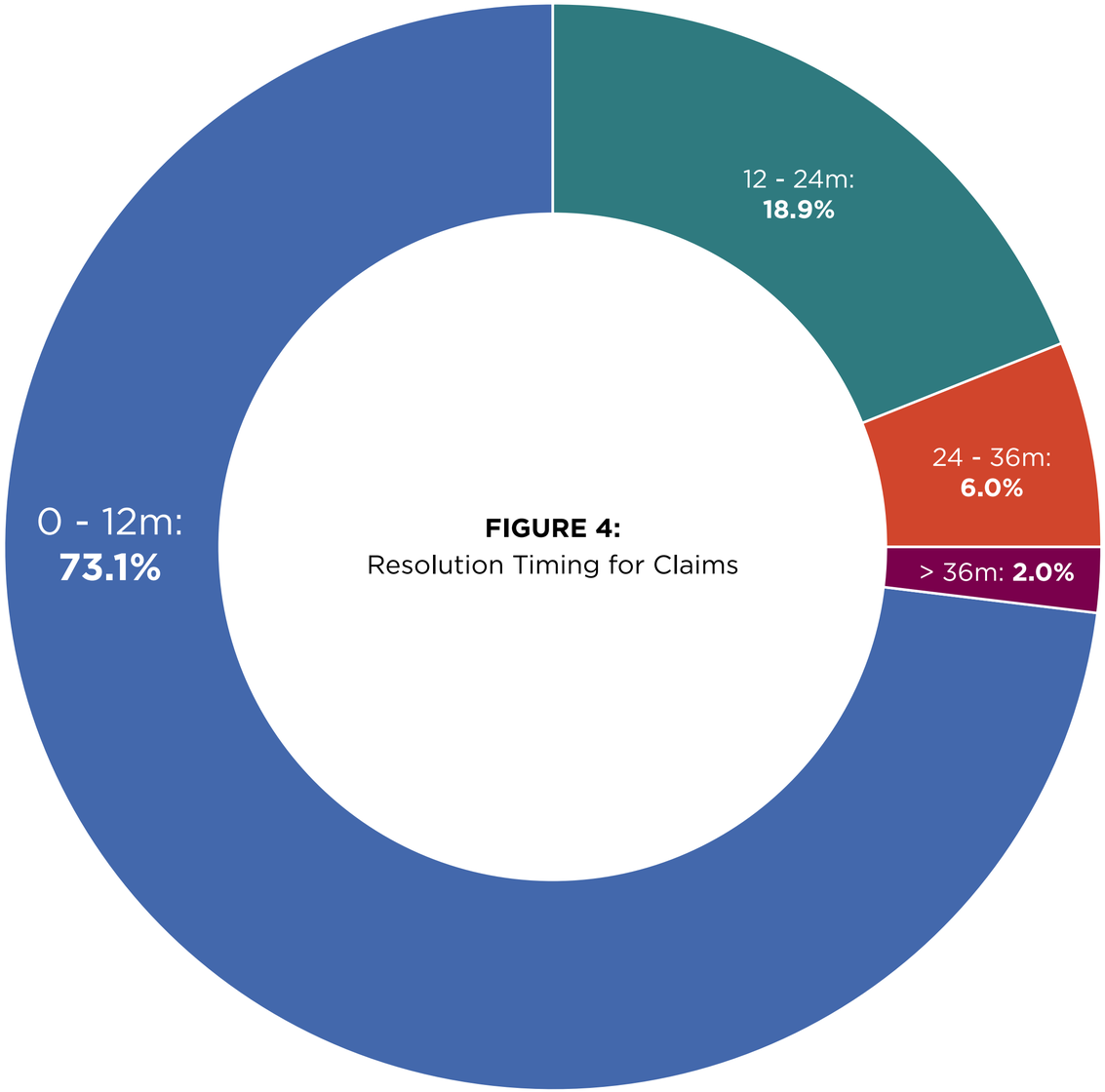



**FIGURE 4:**
Resolution Timing for Claims

# 04

Efficient claims handling offers material value to clients, and we are focused on delivering tangible results.


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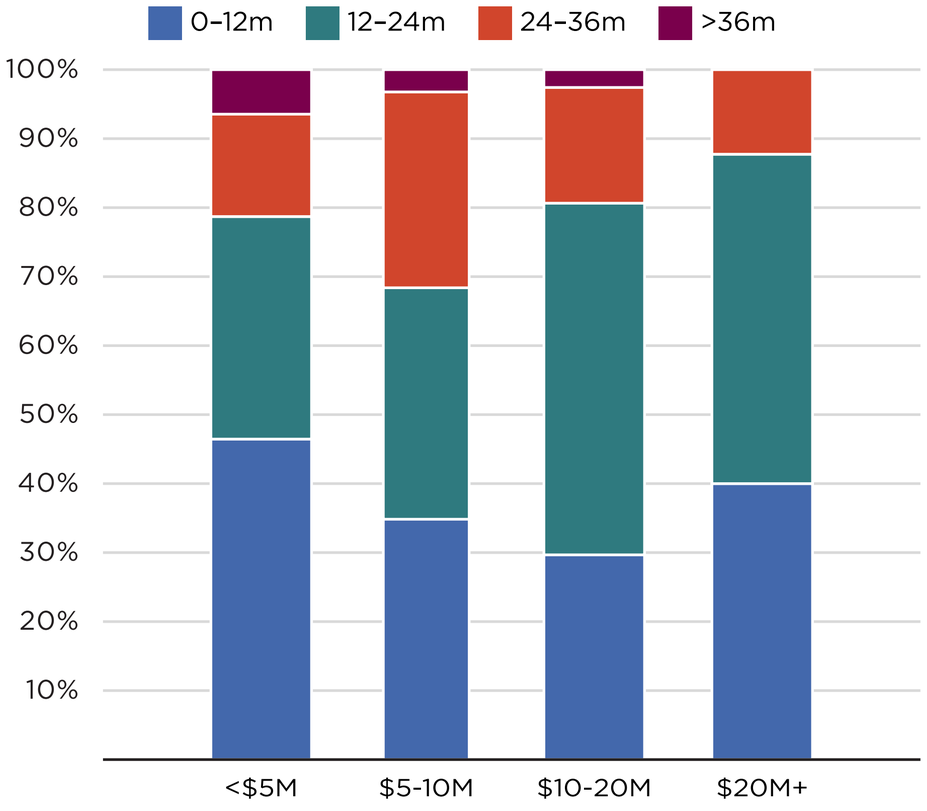
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# WE STRIVE TO RESOLVE CLAIMS QUICKLY AND EFFICIENTLY

We understand the timely resolution of material claims is important to our clients, and we work closely with them to resolve those claims efficiently. This collaborative approach has resulted in over 85% of our claim payments of $10M or more being resolved within two years of the initial claim notice.

**FIGURE 5:** Loss Paid—Time from Notification to Resolution



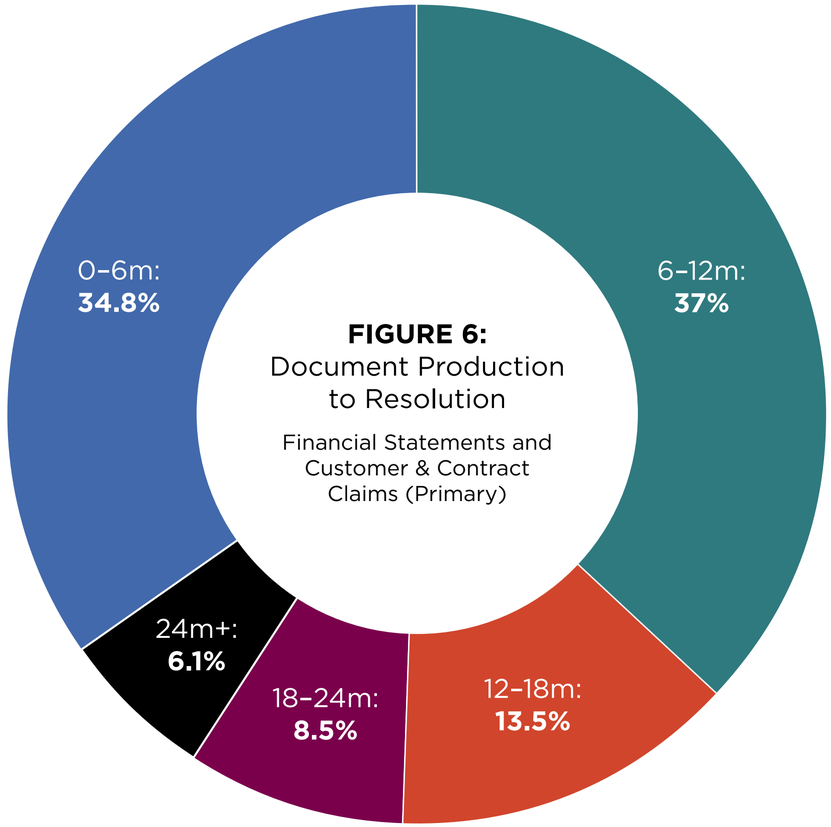




**FIGURE 6:**
Document Production to Resolution

Financial Statements and Customer & Contract Claims (Primary)

This analysis holds true when focusing on the two most complex and material claim types—Financial Statements and Customer & Contract claims. **When we are the primary market, over 72% of our loss paid for such claims has been paid to our clients within 12 months of their initial delivery of documentation supporting the underlying amount claimed.**

05

Not all claims emerge in the same manner; some issues become apparent during the buyer's first year of ownership, while others only surface following later audits, regulatory enquiries or third-party events.


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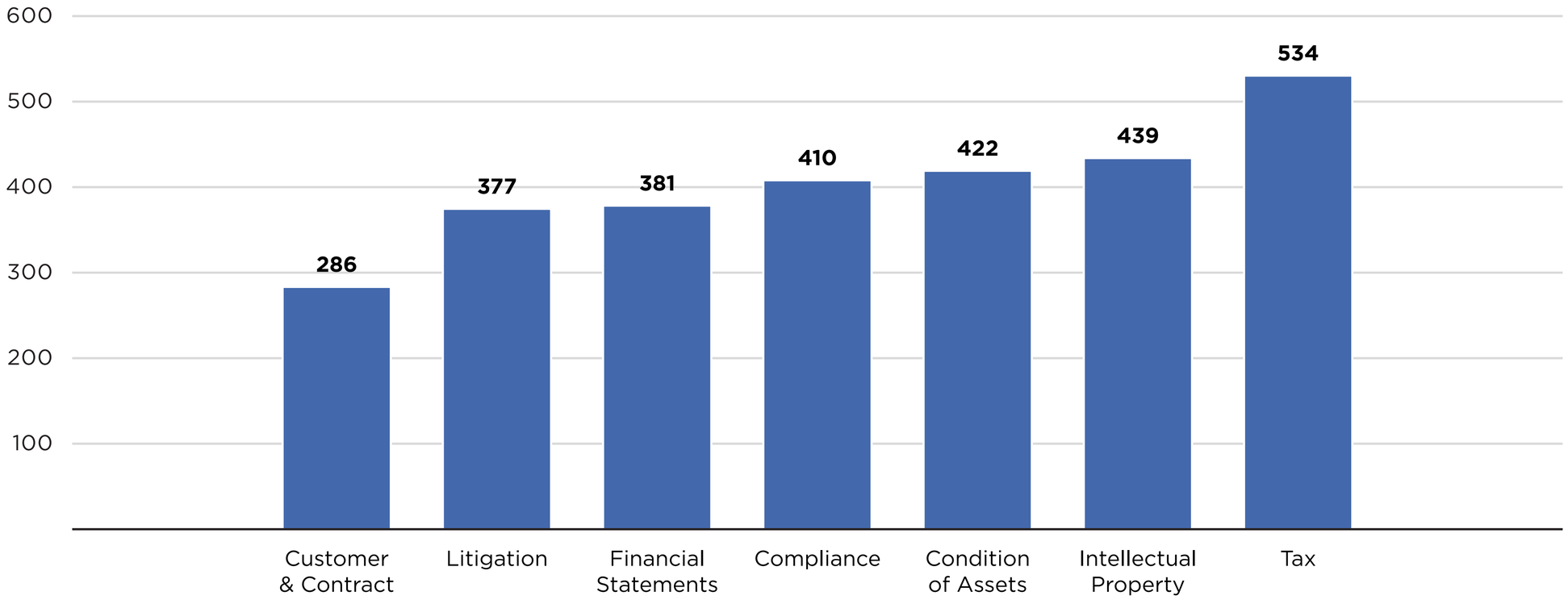

# DIFFERENT CLAIMS RUN ON DIFFERENT TIMELINES

Claims are not always discovered immediately after an acquisition. Across our global claims experience, the average time from deal closing to notice ranges from approximately 10 months for Customer & Contract claims to almost 18 months for Tax claims.

Financial Statements, Litigation, and Compliance claims tend to be reported within a comparatively narrow period—on average, approximately 13 to 14 months after closing. Condition of Assets, Intellectual Property and Tax matters generally emerge later.

These differences are consistent with the ways issues can come to light. Certain commercial or operational matters may become visible as the buyer begins managing and integrating the business. Other issues may not emerge until an audit, regulatory enquiry, tax review or third-party event occurs.

**FIGURE 7:** Average Days—Deal Closing to Claim Notice



# 05


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# Claim Spotlights

After the closing of its acquisition of a $140M wastewater services company, our client discovered that pre-closing, a mistake made in connection with a change in accounting standards had resulted in overstated accounts receivable that ultimately impacted earnings. At the outset, the client helpfully provided a thorough claim notice complete with accounting records as backup for the asserted claim. We moved quickly through its investigation and validated the claim within two months of receipt of the first document production.

After changing internal controllers for an outdoor adventure equipment maker, the client discovered that the sellers had deviated from their historical capitalisation policy during the pre-closing period. This practice resulted in understated expenses and overstated inventory, in turn inflating the EBITDA on which the client valued the company in the underlying transaction. We worked closely with the client to investigate the claim and validate the asserted breach. This included collaborating with financial advisors to address certain gaps in the available data and negotiate a reasonable resolution within one month of receipt of the Insureds' documents.

06

While severity continues to increase, Financial Statements and Customer & Contract claims remain the primary drivers of loss paid.


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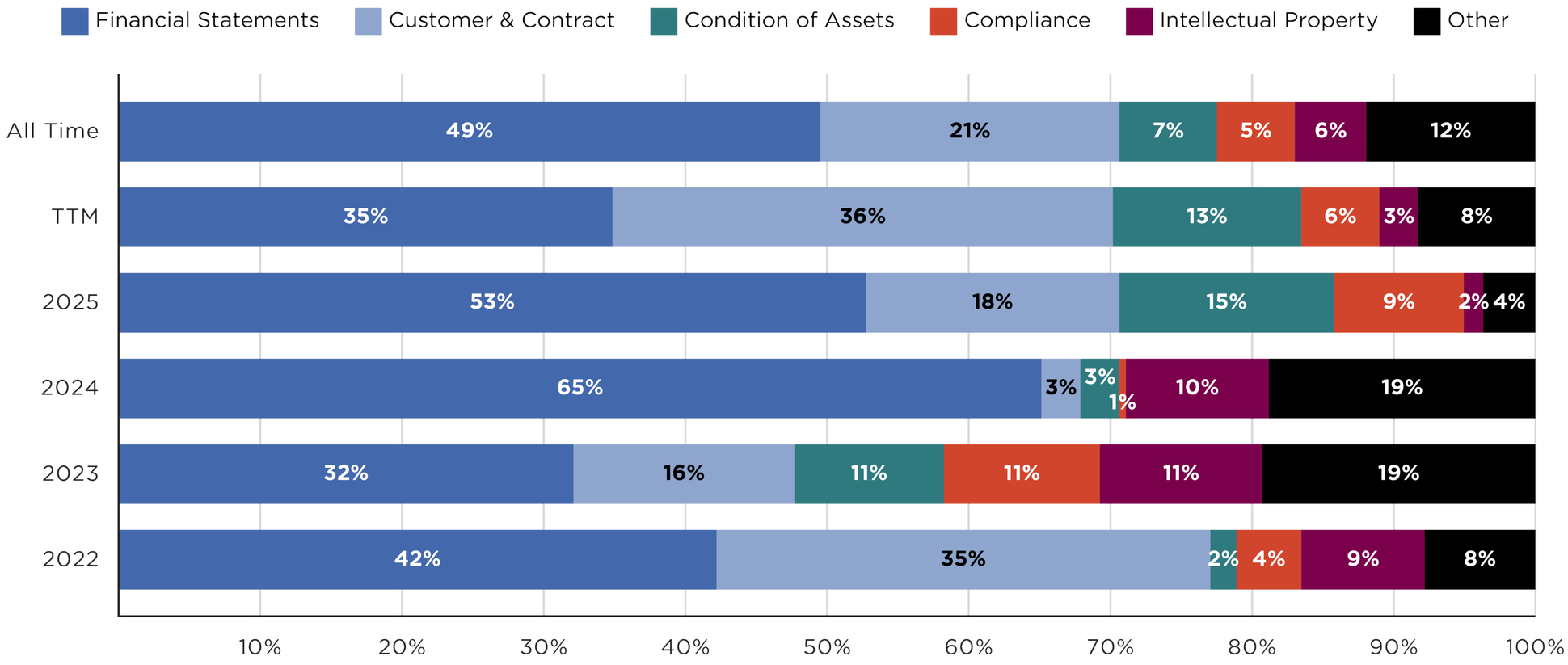
**11** Global Claims Experience Is Compounding


# CONSISTENCY OF LOSS PAID

Financial Statements and Customer & Contract claims continue to drive the majority of our loss paid. In the TTM period, these claim types combined to account for 71% of our loss paid, which is relatively consistent with 69% historically.

The issues giving rise to Financial Statements and Customer & Contract claims are often complicated and fact-intensive enquiries. Our claims team has worked with our clients to resolve 141 claims of these types, resulting in $1.2B of loss paid.

**FIGURE 8:** Loss Paid by Claim Type



# 07

While issues related to financial statements have consistently been our largest claim type by loss paid, the underlying issues resulting in such claims can vary significantly.


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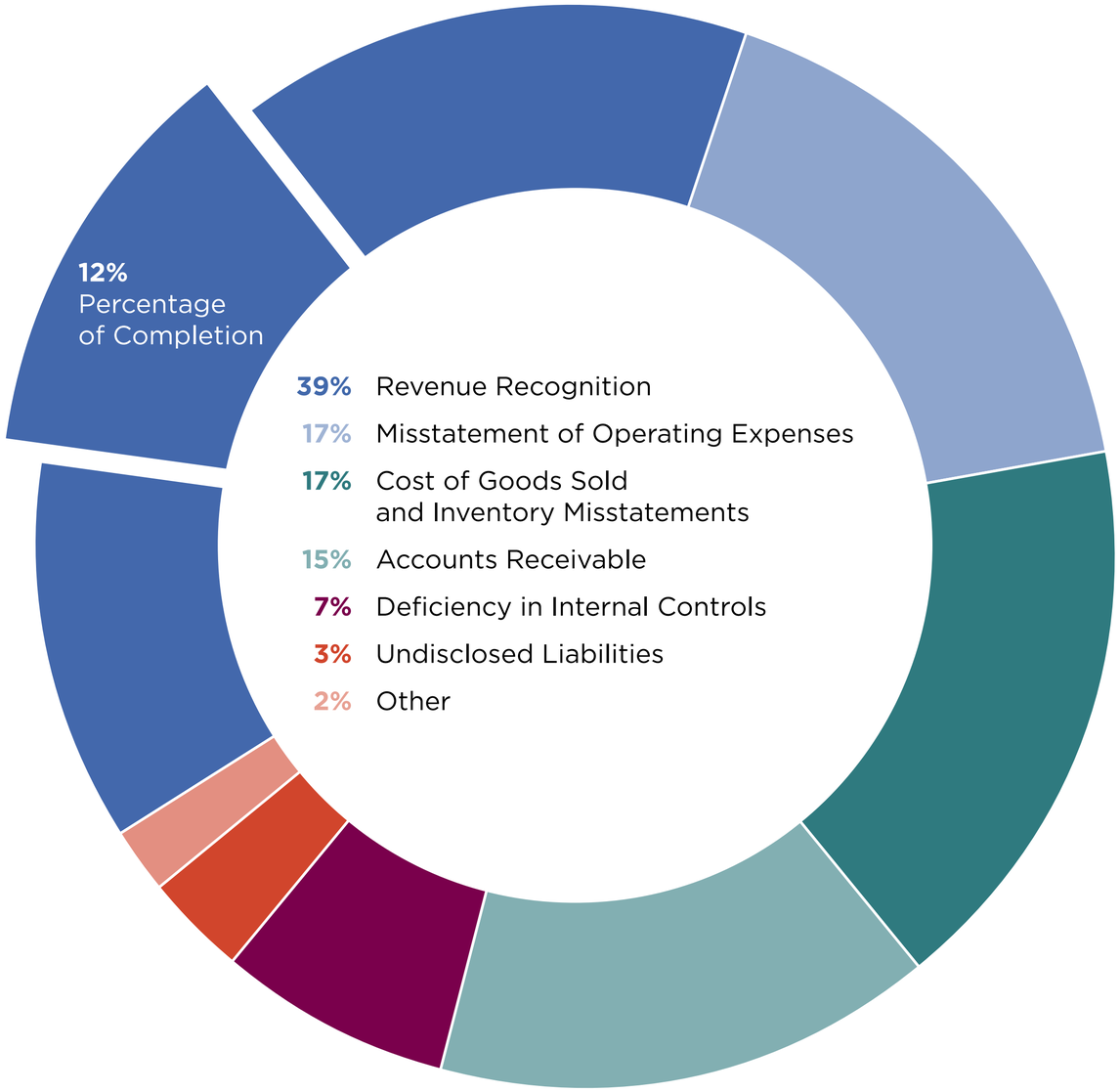
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# ASSORTMENT OF FINANCIAL STATEMENTS CLAIM TYPES

Financial Statements claims account for nearly 50% of our all-time loss paid. Although these claims have consistently been the largest driver of loss paid, the underlying issues causing these misstatements can result from a variety of operational, accounting and other business-related factors.

Failures to accurately recognise revenue account for a plurality of our loss paid for Financial Statements claims at 39%. This is unsurprising, given revenue's essential role in the valuations of nearly every transaction in our data set. **However, despite only being relevant in a small fraction of transactions, percentage-of-completion accounting disproportionately accounts for more than 30% of our loss paid related to revenue recognition.**

**FIGURE 9:** Loss Paid—Financial Statements



# 07

Our client acquired a company providing administrative services to 401(k) and other retirement plans. After closing, the client discovered a data error that caused contract revenue to be accrued at the time of billing rather than ratably over the course of the contract. This mistake gave rise to a breach of the Financial Statements warranty. With the assistance of the broker and a collaborative and transparent client, we substantiated a violation of Generally Accepted Accounting Principles (GAAP) and the policy limit of $23.3M was paid within 3 months of receipt of substantiating information from the client.

Arising out of the acquisition of a telecommunications company, our client submitted a claim asserting breach of, among other things, the Financial Statements warranty based on an overstatement of revenue and accounts receivable and understatement of expenses. The revenue recognition issues occurred because the company was improperly billing end-customers for services, resulting in revenue being improperly incorporated into the company's financial statements. Another complicating factor was that the telecommunications partners also asserted they were owed credits due to incorrect calculations, and our client wanted to preserve its relationship with its major customers. We validated the error and the corresponding valuation impact, resulting in a payment of $13.5M based on the application of an EBITDA multiple.

# Claim Spotlights


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Coverage of certain defence costs is a material benefit of W&I policies not always available with traditional indemnity structures.


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# THE COST OF DEFENDING CLAIMS

W&I policies provide coverage for certain defence costs in the event that a third party makes a claim against the target company that, if true, would constitute a breach of a warranty. Examples that could be covered include claims alleging failures to comply with laws, alleged infringement of intellectual property rights, or tax audits. To date, roughly 29% of our loss paid on third-party claims arises out of our client's third-party advisors' costs of defending these claims, as compared to approximately 71% of such loss paid to settle these matters.

**With nearly $100M paid in defence costs,** we have provided significant support to clients when facing third-party claims. However, as the costs of legal services continue to rise, we have encountered certain situations where the cost of defending the claim has outpaced the amount of the potential liability in the underlying case. As a result, our claims team works very closely with our clients to ensure that the costs being incurred are reasonable and thus potentially eligible for coverage under the policy.

### CLAIM SPOTLIGHT

Shortly after closing on the $2.5B+ acquisition of a consumer products business, the target company's closest competitor filed suit against it for allegedly violating three separate patents that were central to the product's function. Given the mission-critical aspects of this technology to the underlying product, the client has spent tens of millions of dollars defending these claims, and our entire $25M primary limit was paid to cover defence costs arising out of this litigation.

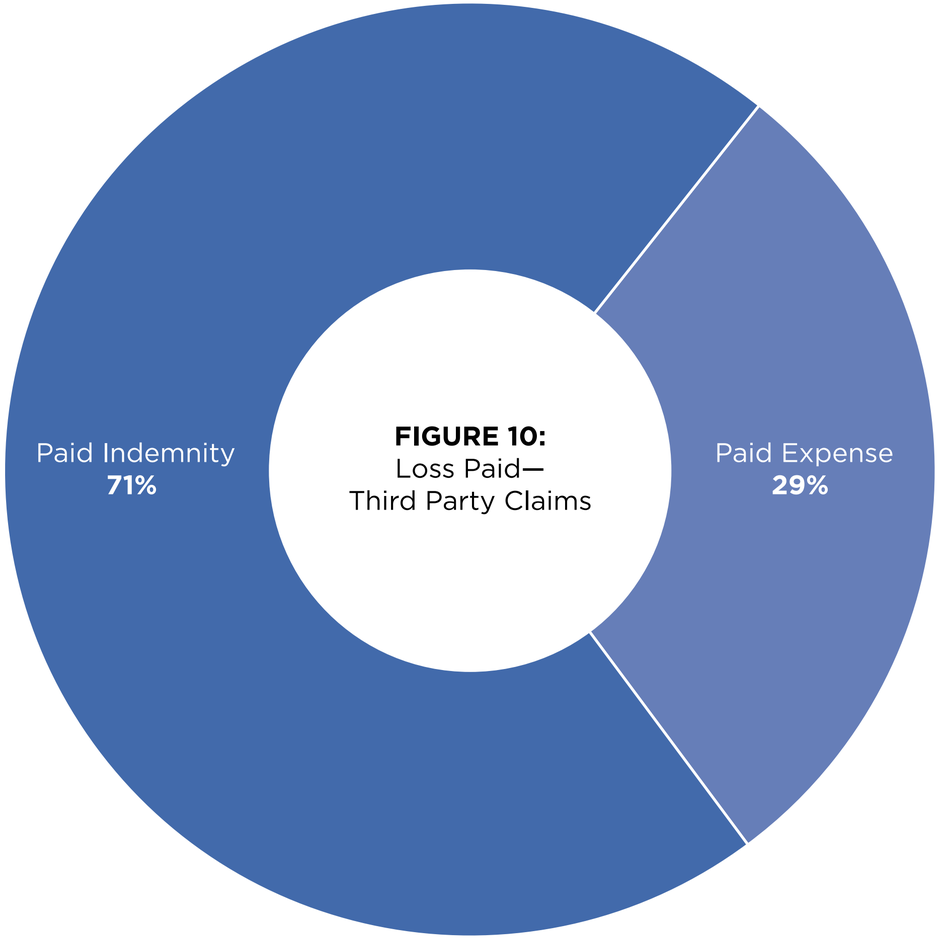



**FIGURE 10:**
Loss Paid—
Third Party Claims

# EMEA & APAC

09

International claims experience shows a clear distinction between claim volume and claim severity.


**01** Severe Losses Are Increasing

**02** State of the Market

**03** Retentions and the Value Proposition of W&I

**04** We Strive to Resolve Claims Quickly and Efficiently

**05** Different Claims Run on Different Timelines

**06** Consistency of Loss Paid

**07** Assortment of Financial Statements Claim Types

**08** The Cost of Defending Claims

**09** The Claims We See Most Are Not Always the Claims That Drive Loss

**10** APAC Claims Experience Is Taking Shape

**11** Global Claims Experience Is Compounding

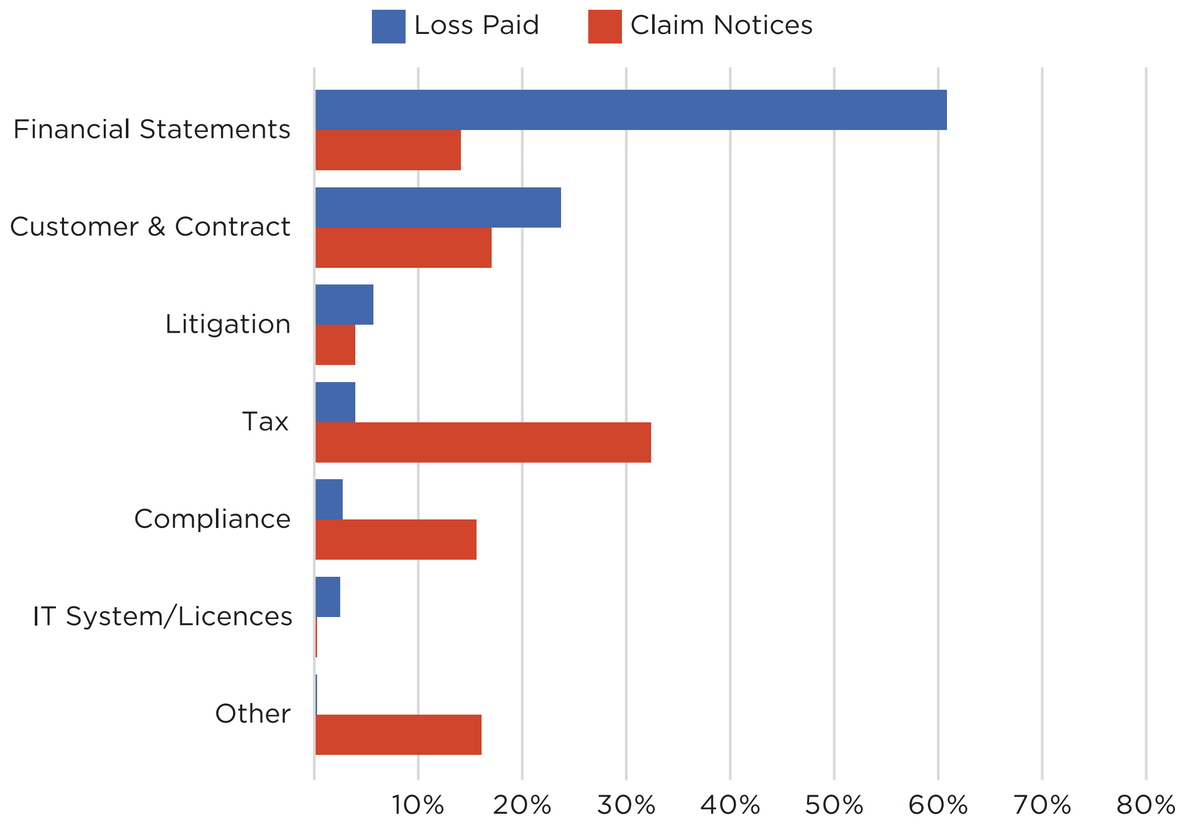

# THE CLAIMS WE SEE MOST ARE NOT ALWAYS THE CLAIMS THAT DRIVE LOSS

Across our EMEA and APAC claims portfolio, the most frequent claim type we receive is alleged breaches of Tax warranties. While these claims often do not give rise to severe losses (only 8% of total loss paid), they can still require considerable, often urgent collaboration with our clients to ensure communications with the tax authorities are dealt with promptly and properly. Although we have had many successful audit outcomes, these claims can and sometimes do result in significant payments.

In contrast, while Financial Statements claims only comprise 13% of claim notices, these claims are by far the largest driver of loss—accounting for 58% of the total loss paid in EMEA.

Our claims team's considerable experience allows us to collaborate with our clients to quickly and efficiently handle claims of all complexities—whether in relation to tax audits throughout the world or engaging in the intensive accounting, valuation and legal analysis required to evaluate high severity Financial Statements claims.

**FIGURE 11:** Notices and Loss Paid by Claim Type



09


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# Claim Spotlights

Euclid Transactional (as primary insurer) worked with the first and second excess insurers to achieve the settlement of one of the largest W&I claims of the year in EMEA. The claim arose due to the non-disclosure of a change in the target company's relationship with a key customer. This required the parties to work together to overcome considerable initial information and document gaps, as well as complex legal and accounting questions and analysis. Following the investigation and validation of the claim, the full EUR 25M primary limit was paid.

Following the acquisition of a shipping and cargo business, issues arose related to the non-disclosure of the target company's supply chain financing arrangements. Given its complex nature, this claim required identifying and obtaining input from a sector specialist and then working with our financial experts to find a way to quickly and effectively resolve what could have been a long and complicated claims process. Thanks to the commitment to a constructive and commercial process from all parties involved, we were able to reach a EUR 4M settlement in less than four months.

# 10

Our experience remains at an early stage, but our reported claims span four major markets and seven distinct claim categories.


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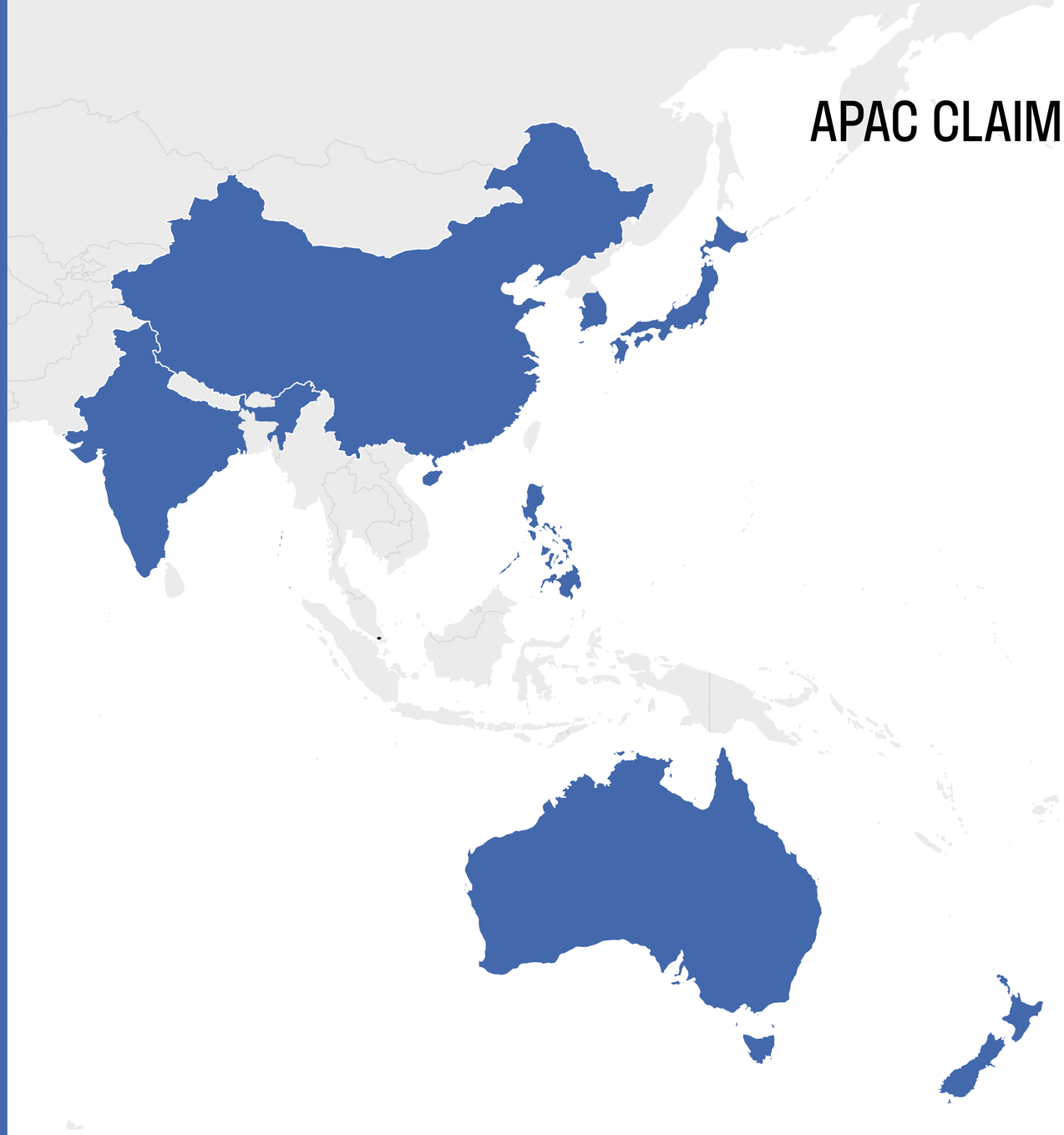
**07** Assortment of Financial Statements Claim Types

**08** The Cost of Defending Claims

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## APAC CLAIMS EXPERIENCE IS TAKING SHAPE

Nearly two years after the launch of our first APAC branch, our claims experience in the region continues to develop as the portfolio matures. We have now received 19 claim notices across Australia, India, Japan and South Korea—and made our first APAC claim payment. We have also continued to build on our experience by handling other material and complex claims in the APAC region stemming from policies underwritten by our broader global team.

The dataset is not yet sufficiently mature to draw broad conclusions about claim outcomes or severity, although early indications are that the notification rates are lower than our global book. It does, however, demonstrate the range of issues that can arise, as our early claims experience is not concentrated in one market or one issue. Tax is the most frequently cited claim category, accounting for seven of the 19 notices, with the remaining 12 notices spanning Customer & Contract, Compliance, Intellectual Property, Undisclosed Liabilities, Litigation and Employment matters. Regionally, Australia accounts for seven reported claims, with the remaining 12 notices spread across India, South Korea and Japan. This breadth of issues and regions reinforces the importance of combining local market knowledge with claims experience developed across a larger global portfolio.

# Closing Considerations

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We continue to ensure we can provide the same high level of service even as our claim count is increasing.


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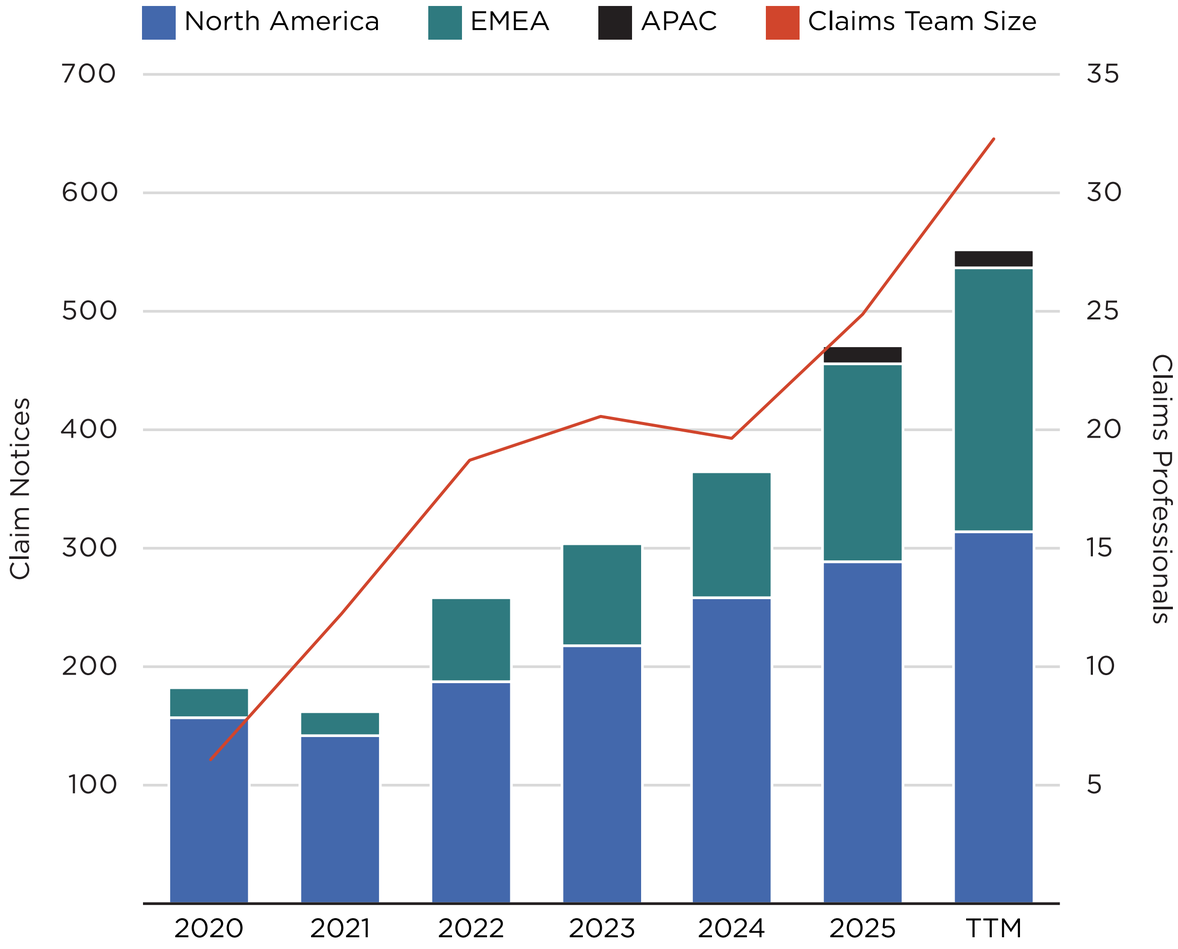

# GLOBAL CLAIMS EXPERIENCE IS COMPOUNDING

We continually monitor the number of policies bound by our underwriters to ensure that our claims team is adequately resourced when claims on those policies arise. In the twelve months following the periods covered in our last study, our notified claim count in EMEA and APAC has increased by 59%, and we have paid a further $55M. During that same period in North America, we received 23% more claim notices and made $463M of payments.

In anticipation of this increase in claims, we added three full-time experienced claims handlers in EMEA and two more in North America. This team of now 32 claims professionals—22 in North America and 10 internationally—allows us to maintain our high level of client service while providing the same dedication and efficient response to each claim as we historically have.

Having now handled and paid such a large quantity and variety of claims, our collective experience on legal and financial issues across the world is considerable. We frequently work across offices to ensure we draw on these experiences, helping us identify the right questions early, engage the appropriate experts and work efficiently towards resolution.

**FIGURE 12:** Claim Notices and Team Growth



# Our Team

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

## SENIOR LEADERSHIP

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**MANAGING DIRECTOR CLAIMS EMEA & APAC, GENERAL COUNSEL**
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Jessica Mingrino
Nick Morales
Arielle Nagel
Denise Veliky
Chris Ziemba
Brittany Zimmer

**EMEA & APAC**
Noreen Howard
Rachel Lobley
Daniel Myers
Aoife Ryan
Layla Sousou

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Nicole Daniell
Denise Freedman
Abby Kennedy
Gretchen Kinlaw
Emily Luong
Lindsey Mihal
Carson Nisbeth, Canada
Charlie Rayden
Emmet Santry

**EMEA & APAC**
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Emma Horner
Julia Stumpf
Phuong Thai

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# Thank You

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YEARS
OF
SERVICE