

MARSH PRIVATE EQUITY AND M&A PRACTICE

An overview of TRI Market in Italy

July 2018



Our Brief

Data and Assumptions

Scope of Work and Data Request

The scope of the analysis was to draw a picture of the overall Transactional Risk Insurance (TRI) market in Italy.

The focus is on Warranty & Indemnity (W&I) and Title policies placed for Italian transactions having Closing on 2017 and an Italian entity as Target Company under the Sale and Purchase Agreement (SPA).

Data requests to Insurers were:

1. Number of Insurance Policies booked.
2. Total Capacity (Limit of Liability).
3. Distinction between Corporate or Private Equity vehicle as Insured.
4. Real Estate Deals over Total.
5. Renewable Energy Deals over Total.

Assumptions and Method

- When not provided, average rate has been computed.
- Average Limit was computed as Total Limit divided by the number of Policies (both figures provided by Insurers).
- Average Premium was computed as Total Premium divided by number of Policies.
- Rate was computed as Average Premium divided by Average Limit.
- Percentage of Private Equity (PE), Corporate, Renewable Energy and Real Estate Deals was computed using totals.

Our Brief

The Italian Market for Transactional Risk - **W&I focus**

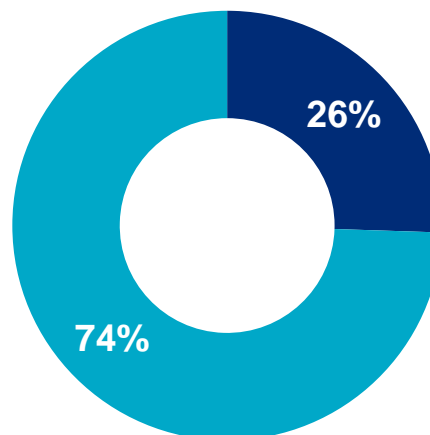
Italian Market Figures

	2017	vs 2016
Total Policies Underwritten in Italy	58	+27%
Total Market Underwritten Limit	€ 965.000.000	+9%
Total Premium	€ 12,000,000	-12%
Average Limit	€ 17,000,000	-13%
Average Rate	1.19%	-18%
Average Premium	€ 201,000	-29%

Deals Nature

(on Policies number)

	2017	vs 2016
Private Equity Deals	43	+59%
Corporate Deals	15	-19%



Key Trends

- Sensible increase in both policies' number and total capacity displaced.
- Buyer side structure customarily envisaged in almost all transactions (approx. 95%).
- Average rate decreased due to real estate deals which usually present lower rates.
- Decreasing average limit due to mid-size transaction W&I.
- Confirmed W&I structuring shift from Corporate to PE transaction, mainly due to real estate and renewable energy deals.

Our Brief

New Frontiers and Industry Trends

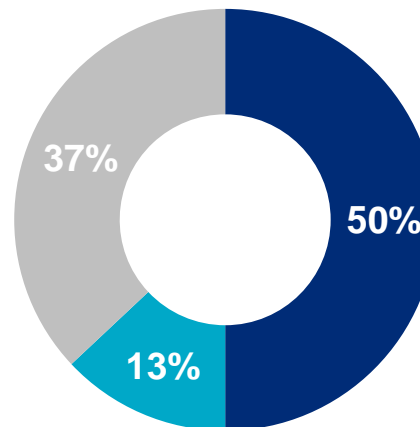
W&I Real Estate trends

- ✓ Usually higher limits & lower rates applied compared to other industries.
- ✓ Decreasing Attachment Point, usually below 0.5% of the transaction value
- ✓ Availability for Insurers to follow the Definition of Loss as per art. 1223 of the Italian Civil Code.

Title Risk Insurance

Title insurance is used to insure against specific risks identified during the due diligence process and enhance the security of property in transactions. Coverage can be sought for a range of commonly identified issues that affect property in transactions such as use restrictions, lack of title in whole or part, breach of planning permission, challenge to ownership, missing deeds and other areas where W&I policies have not been able to provide coverage for Title.

W&I Industry breakdown (on Policies number)



- Real Estate
- Renewable Energy
- Others

Our Brief

The Italian Market for Transactional Risk - **Title focus**

Italian Market Figures

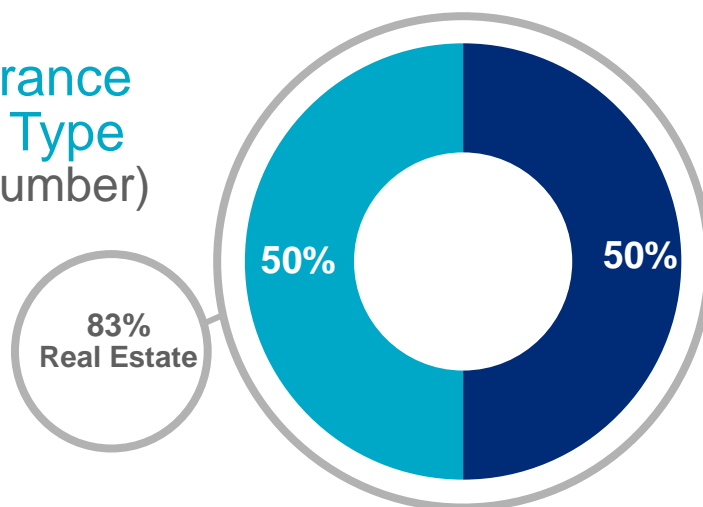
2017

Total Policies Underwritten in Italy	6
Total Market Underwritten Limit	€ 335,000,000
Total Premium	€ 500,000
Average Limit	€ 55,000,000
Average Rate	0.15%
Average Premium	€ 83,000

Key Trends

- Sensible increase in both policies' number and total capacity displaced.
- Substantially equal recourse to Title policies by **Corporate*** as well as **PE*** investors.
- Growing appetite for Title solutions in Real Estate deals (5 out of 6) and Renewable Energy sector (1 out of 6).

Title insurance by *Deal Type (on Total Number)



Deals Nature

(on Policies number)

2017

Real Estate Deals over Total	5
Renewable Energy Deals over Total	1

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