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Looking Ahead to 2026

# Trends in Private Equity, Insurance Due Diligence, and RWI

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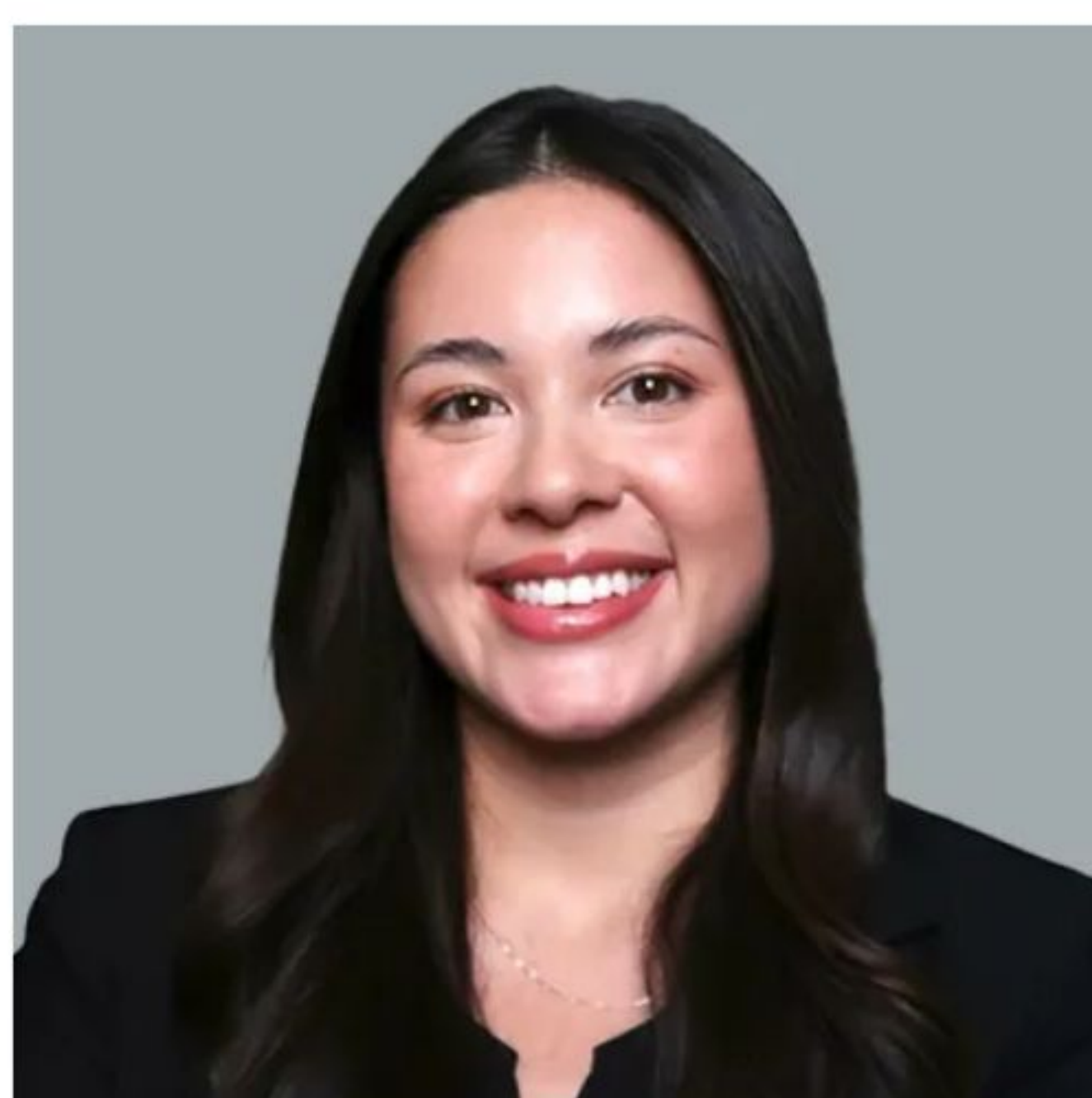


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# 1.0

## US Middle Market Private Equity Market Update

1.1 Adapting and Leaning Into Uncertainty and Turbulence to Improve the Deal  
Landscape in 2026



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# 1.1

## US Middle Market Private Equity Market Update

# Adapting and Leaning Into Uncertainty and Turbulence to Improve the Deal Landscape in 2026

In last year's *Looking Ahead Guide*, we predicted the 2025 deal landscape would improve over 2024 year-end results in terms of the number of closed buyout transactions, transaction values, and exits. The rationale for this was: lessening uncertainty (or a better comfort level with the persisting uncertainty), stabilized inflation, and a new administration (including a consolidated Republican government), which has historically suggested a positive outlook for the US economy and private equity.

Early data initially supported this view. We saw an uptick in deal flow in Q4 2024 and into Q1 2025, suggesting positive momentum. Yet this momentum was stifled in Q2 2025 by ongoing tariff fallout and a Federal Reserve unwilling to cut interest rates further (in September 2025, the Federal Reserve did cut rates).

However, after several years of uncertainty-COVID, rising inflation, wars in Ukraine/Russia and Israel/Palestine, and rising interest rates-the US private equity (PE) market is learning to adapt to these challenges to get deals across the finish line. We saw this in late 2024 and Q1 2025, and while tariffs and interest rates may have weakened deal flow in exits in Q2, we expect Q3 and Q4 will see an increase in US deal activity.

Supporting this view, Pitchbook's *Q2 PE Breakdown* reports that while deal flow in Q2 2025 was down 5% compared to Q1, it was actually up 6.3% year over year compared to Q2 2024. We see this as positive momentum, although it may not feel significant quarter to quarter. Bain and Company's *Mid-Year Report* further notes: "There's nothing fundamentally broken in the market. Buyers and sellers can still transact-and history shows that strategic buyers with a strong M&A agenda remain active in turbulent times. General partners (GPs) are under pressure to do deals."

At the end of 2024, US assets under management (AUM) approached \$3.7 trillion, with more than \$1 trillion in dry powder available in the marketplace, according to Pitchbook. With dry powder exceeding \$1 trillion for the second straight year, PE firms are continuing to adapt to uncertainty to get deals across the finish line.

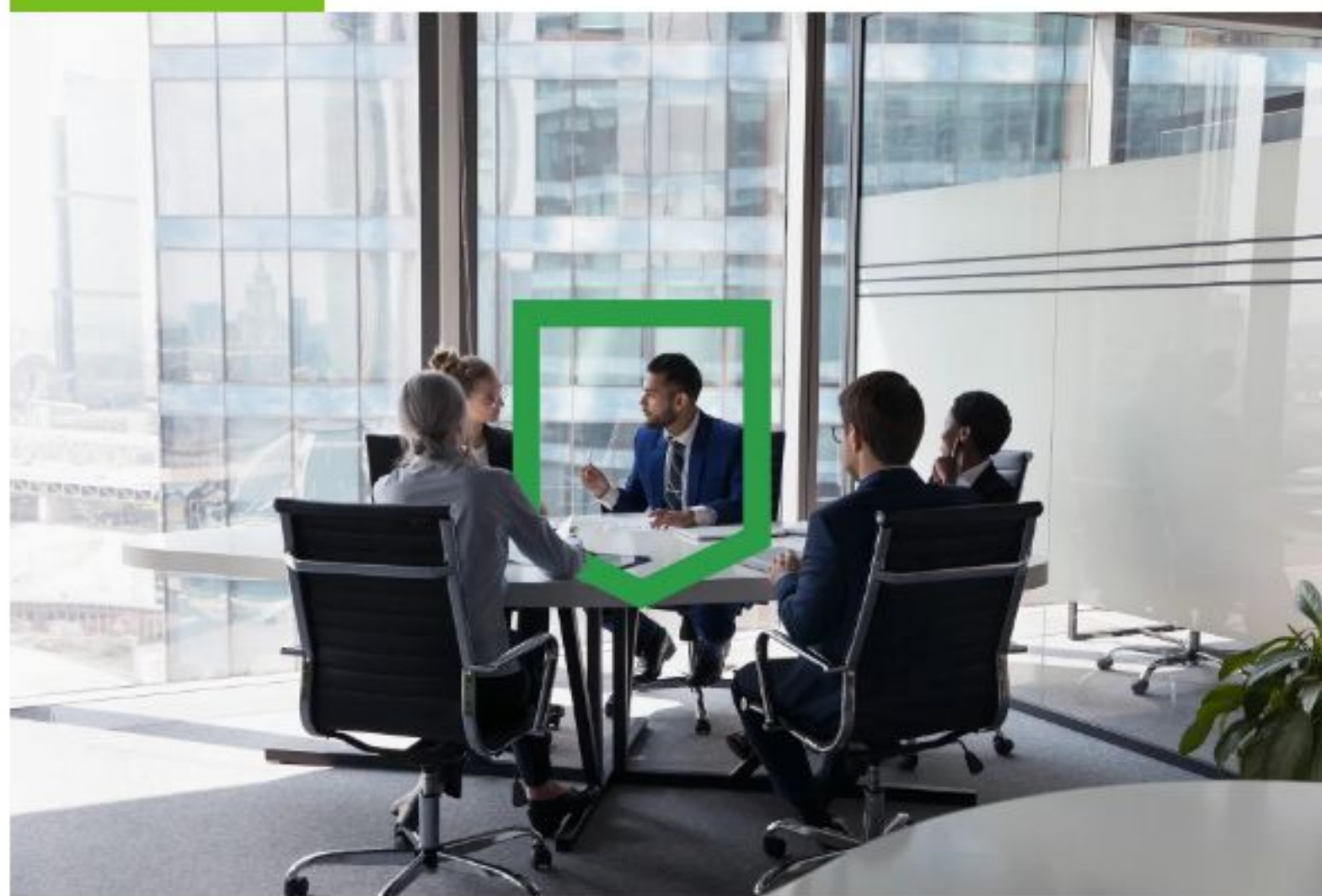
Even in a tougher deal environment, PE firms are managing to put capital to work by keeping deal sizes small, engaging in add-on transactions, or finding alternative sources of capital to finance transactions. As we mentioned in last year's *Guide*, take-privates and carveouts are viable and prevalent, as the leveraged buyout (LBO) market struggles with continued uncertainty. Woodruff Sawyer's Private Equity team was involved with several large take-private and carveout transactions in 2024, and these transactions are part of a broader market trend expected to continue through 2025.

**Looking forward to Q4 2025 and into 2026, we believe that while the deal landscape may continue to evolve and new structures develop, deal flow will increase compared to 1H 2025. Private equity buyers will remain focused on operational improvements within each portfolio company to enhance EBITDA margins before taking assets to market.**



# The Importance of Due Diligence and Optimizing Value for Portfolio Companies

## GUIDE



### Insurance Due Diligence for Private Equity and M&A

Get insight into the state of the M&A and private equity market from an insurance perspective and why insurance due diligence is more important than ever.

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From an insurance perspective, what does this macro backdrop mean for PE firms engaged in completing due diligence and seeking to close transactions in Q4 2025 and 2026? As Bain noted in its *Mid-Year Report*, “Whatever switchback turns lie ahead, PE firms must excel at creative dealmaking, due diligence, and value creation to make the most of the opportunities that will flow out of today’s uncertainty.”

From our perspective, insurance due diligence (including post-close diligence) will continue to be a critical workstream as deal teams and operating professionals seek ways to improve and maximize EBITDA margin and mitigate risk to their investment assets. In pre-close due diligence, firms can identify strategies and efficiencies as well as project their financial impact, while in post-close diligence, firms can implement new strategies.

Post close, according to the Bain report, “GPs may need to refresh or extend their value-creation plans for portfolio companies to convince buyers that there are new chapters of growth ahead. Clear evidence of progress on EBITDA growth will be necessary for that narrative to be convincing.”

From an insurance perspective, our clients and the broader PE market are constantly looking for ways to maximize efficiencies, decrease costs, and improve overall portfolio company performance. An insurance advisor with expertise in working with PE firms and portfolio companies can add significant value to these processes in two ways:

1. Maximizing the total cost of risk and insurance program structure to maximize EBITDA margin improvement; and
2. Creating efficiencies in scale and cost effectiveness of the employee benefits programs, often the second largest cost driver for a portfolio company, second to payroll.

**Insurance and employee benefits due diligence often takes a backseat to operational, legal, financial, or accounting diligence. But, if executed poorly, acquirers and investors alike may leave themselves exposed to increased risks that could negatively impact EBITDA in the short term and diminish the long-term value of the asset.**

Including an expert insurance advisor on the due diligence team of advisors will help companies avoid these risky land mines, protect the investment in the short- and long-term, and ensure a cleaner exit.

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# 2.0

## Insurance Trends in Private Equity

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## 2.1

### Insurance Trends in Private Equity: Value Creation



#### Continued Focus on Value Creation Leads to Insurance and Employee Benefits Program Optimization Strategies

As mentioned in the Market Update section, longer holding periods in today's macro environment are leading to larger portfolios and more time to enhance EBITDA at an operational level. Many PE firms are significantly expanding their internal portfolio operations groups, which consult and advise portfolio companies on operational improvements.

This trend supports our belief that PE professionals will continue to focus on incremental improvements—small or large—to improve a company's margins in 2026 and beyond. One of those ways is most certainly the business insurance and employee benefits programs.

As portfolio companies begin evaluating margin improvement opportunities, we expect they will continue to focus on reviewing insurance and risk management programs as well as employee benefit programs to ensure they are optimizing efficiencies and mitigating, transferring, or accepting risk where necessary.

An insurance broker who specializes in private equity knows the levers that can be pulled to improve the overall program—thereby optimizing and improving EBITDA margin. On the property and casualty side, funds are using insurance advisors to look for ways to improve retention and limit management while maximizing cost savings. Additionally, many firms are turning to portfolio-style management liability programs (directors & officers liability, employment practices liability, fiduciary liability, and commercial crime) that bundle exposures and coverages across the portfolio to reduce costs.





## 2.2

### Insurance Trends in Private Equity: Deal Structure



#### Deal Structure Will Impact Insurance and Benefits Strategy

PE firms continue to look at alternative deal structures to get deals across the finish line, a trend we expect will persist in 2026. Add-on acquisitions (including sizeable ones), take-privates, corporate carveouts/divestitures, and growth equity deals continue to be attractive ways to put capital to work. Each of these transaction structures involves a different skill set in terms of insurance and employee benefits due diligence, as well as post-acquisition brokerage implementation strategy.

For example, in a **take-private transaction**, the management liability (directors & officers liability) program coverage structure and cost will completely change. The existing public company D&O program will be placed into runoff, and a new, go-forward private company management liability program will need to be implemented. The limit and retention structure, and overall coverage, of a public versus private company management liability program can vary significantly, and runoff terms/conditions and pricing can be renegotiated prior to closing. This could impact the company's cash flow at closing by hundreds of thousands, if not millions, of dollars.





In a take-private transaction, it is critical to engage a specialty insurance advisor who works directly in the PE space. A skilled advisor can work on the necessary tail coverages while simultaneously structuring a go-forward management liability program that is appropriate for the go-forward entity under PE ownership. They must also be able to perform due diligence on the other property, casualty, and employee benefits coverages.

As another example, in an **asset or carve-out transaction**, the firm will need to implement an entirely new property, casualty, and management liability program at close. Depending on the nature of the transaction structure, the diligence strategy and go-forward implementation can vary widely. It's critical to engage an insurance advisor early and often in these processes to ensure nothing is overlooked.

**Middle-market PE or growth equity transactions have specific implications on risk management and insurance programs pre-close, at close, and post-close. Check out our three-part series on transactional structures.**

BLOG



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Transaction Structures and Insurance, Part 2:  
**Majority vs. Minority Transactions**

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Transaction Structures and Insurance, Part 3:  
**Mergers, Rollups, and Carve-Outs**

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## 2.3

### Insurance Trends in Private Equity:

## RWI Market

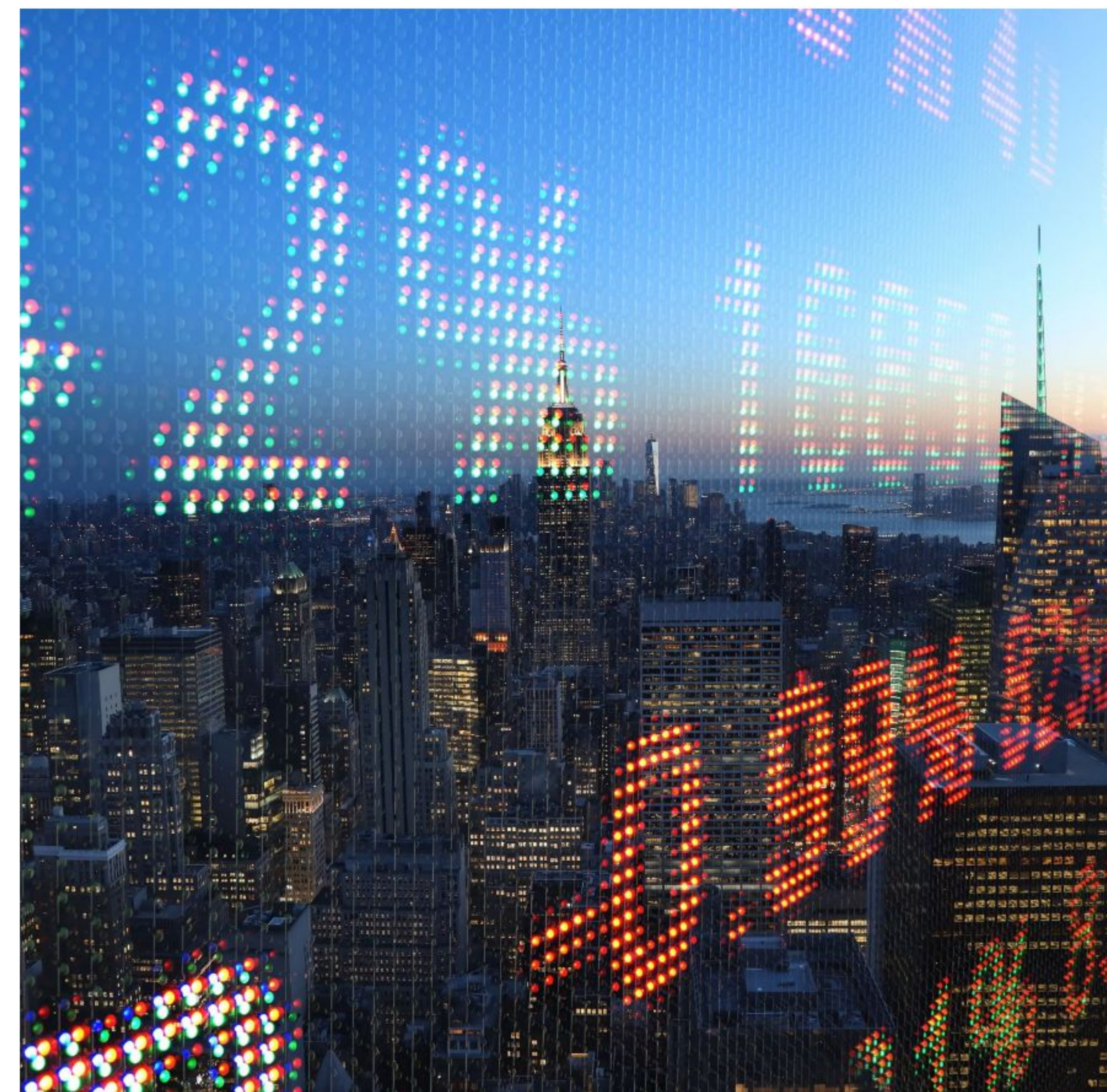


### The RWI Market Will Continue to Be Competitive into 2026

The representations and warranties insurance (RWI) marketplace will continue to see high levels of competition in 2026. We have seen two separate market segments merge, and the influx of new capital seems to be slowing. We expect it will continue throughout 2026 as deal flow gains steam again.

In Q2 2025, the Woodruff Sawyer team is seeing 10–15 RWI quotes for each transaction. Rates typically range from 2.35%–2.75% of the policy limit, and retentions are 0.45%–0.60% of the total enterprise value. All insurers are quoting “no seller” indemnity options as well as traditional “split-seller-indemnity”-style deals.

This competitive landscape may shift slightly throughout 2026 and into 2027 as deal flow increases, but we expect it to remain steady as there is still more supply than demand.





## 2.4

### Insurance Trends in Private Equity: Expansion



#### Insurers Continue to Expand into Private Equity, Broadening Capacity for Portfolio Companies

On the portfolio company side, insurers have begun launching internal PE teams and practices to better serve brokers who specialize in working with such firms. This started on the management liability side; but recently, several of these insurers have launched property and casualty practices to support the growing management liability book of business. In other cases, existing property and casualty insurers are launching practice groups.

We believe this is important for a few reasons. First, it means that PE is generating meaningful profits for insurers, leading to more entrants into the market and additional available underwriting capacity. Next, it means the insurers have noticed there can be enterprise-level economies of scale when different divisions talk to each other about coverages for the same portfolio company. It's now not uncommon for the insurer to have a practice lead who is responsible for managing the relationship internally and ensuring the broker has full access to all divisions that would like to quote a portfolio company.



**This is a positive trend for portfolio companies because it creates leverage for the PE firm in terms of coverage and pricing.**

For example, if a certain insurer underwrites and binds the go-forward management liability (D&O insurance) program for a PE firm transaction at closing, that insurer may also have an appetite for the property and casualty lines of coverage. This increases leverage for the broker.

Next, insurer-specific divisions specialize in PE, and typically, these underwriters will only work on PE deals or portfolio companies. This means they understand the tight timelines of transactions and how to view the risk in a fundamentally different way—from a portfolio vantage point versus an individual risk.



## 2.5

### Insurance Trends in Private Equity:

## Portfolio-Style Programs

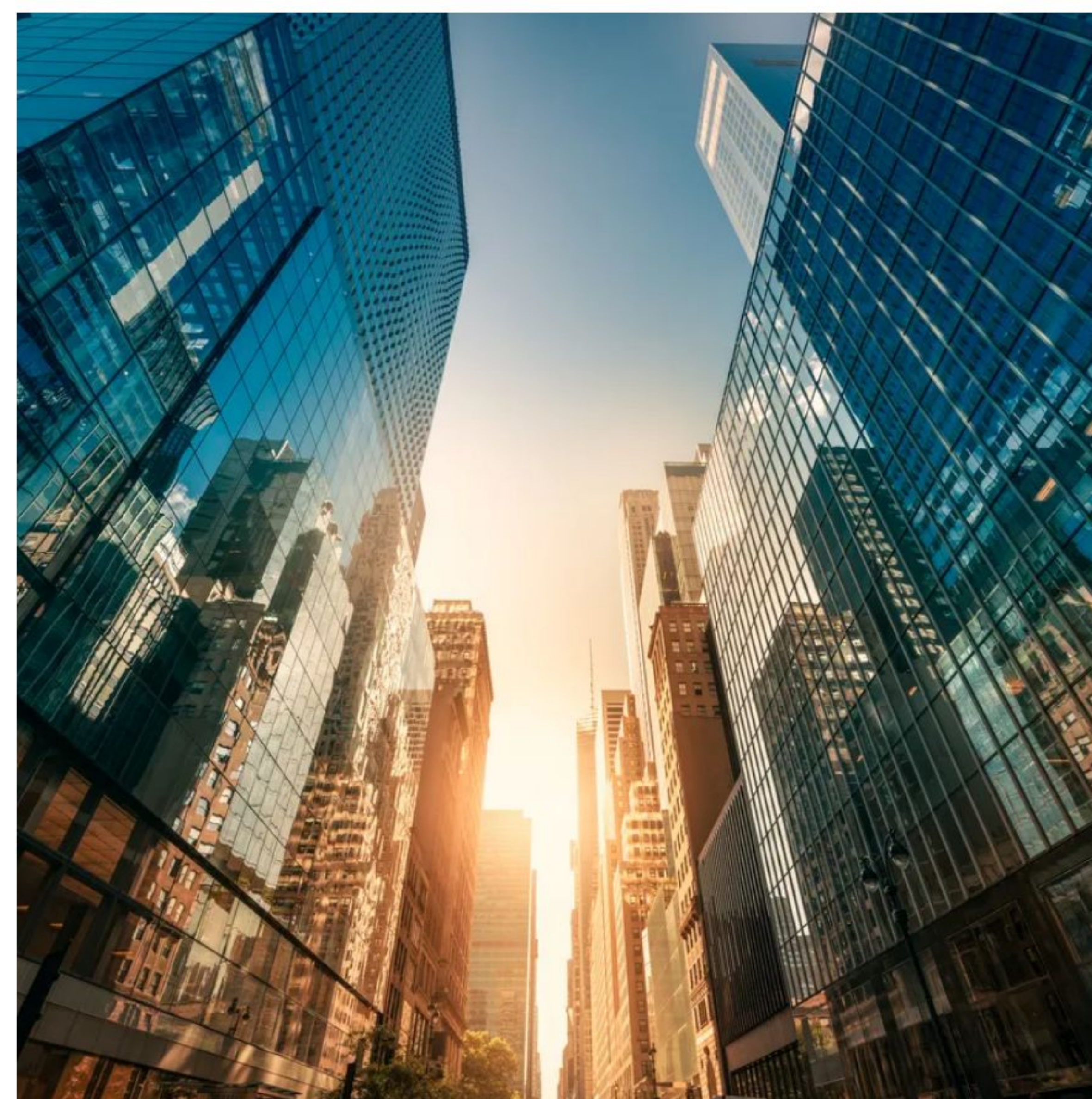


### Portfolio-Style Programs Gain Momentum (Again)

As PE professionals continue to look for efficiencies in cost management, and insurers are doubling down on PE business ([see Trend 2.4](#)), many clients are seeking to consolidate their coverages using a portfolio-style approach for property, casualty, and management liability.

This movement to a portfolio-style program is a cyclical approach to risk management and insurance that tends to come up once or twice every decade or so, and each time the approach is a bit more refined than the last. The rationale always makes sense: “If we can put together a portfolio program for all of our portfolio companies, we can achieve economies of scale across the entire portfolio and broaden coverage while reducing costs.”

Similar to a PE firm that considers launching a captive arrangement, the approach and logic on the property and casualty side of the equation make sense until one or more of the companies have a bad claims year, which will likely lead to all companies paying more to support the claims and premium needs of the single company.







In addition, insurers can sometimes be very picky about which companies within the portfolio are within their appetite and which are not. If a PE firm has 12 companies and the insurer likes the risk profile of seven of them but not the other five, the PE firm may ask: “What’s the point of going through the work to implement a portfolio program that only covers seven of our companies?” This is one of the main reasons, among several others, why we do not believe a portfolio program approach to property and casualty risks makes sense now, in the past, or in the future, unless underwriting methodologies change in a meaningful manner.

However, we do see significant advantages to implementing a consolidated, portfolio-style approach to both cyber liability and management liability, including D&O liability, employment practices liability, fiduciary liability, and commercial crime. The rationale for this is that these coverages are normally implemented for the benefit of the PE firm and portfolio company management, at the direction of the PE firm or portfolio company board of directors.


Where Portfolio-Style Programs May Make Sense:



Cyber Liability



Management Liability



Property & Casualty

Cyber and management liability coverage can also be negotiated to be exactly the same across the portfolio, and insurers frequently do not put as much underwriting concern on individual operations within the portfolio company. As a result, there is less probability that an insurer will only elect to underwrite seven of the 12 as noted in the above example.

Typically, the cyber and management liability coverages can dovetail nicely with the fund-level general partnership liability program and fund-level cyber liability program to ensure there are no gaps in coverage between the PE fund-level coverage and portfolio company coverage. It also helps streamline deal processes and can safeguard against companies within the portfolio having different insurers, different limits and retentions, and different premiums.

We see this as a very positive trend that will continue throughout 2025 and 2026.



# 3.0

## Transactional Insurance Market Update

3.1 Fierce Competition Lowers Rates



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# 3.1

## Transactional Insurance Market Update

# Fierce Competition Lowers Rates

We have seen the slightest uptick in RWI rates as deal flow has slowly increased. However, rates are still at very low levels.

Average Rate as a Percentage of Limit by Inception Quarter for Bound Policies



Source: Woodruff Sawyer, a Gallagher Company

What does this pricing trend mean for M&A insurance buyers? It's still a good time to get RWI, especially for deals that underwriters historically have been more cautious about.

Carriers have also shifted their thinking about limits, opening the door for lower mid-market transactions that would have otherwise used a traditional indemnity structure. For "small deals" with an enterprise value below \$20 million, we used to recommend a limit of at least \$5 million. It's now much easier to get terms for limits as low as \$3 million—while keeping the same rate as larger deals. We have even seen the further development of low-limit policies (read the blog, "RWI for Small Deals," for more details). We expect this trend to continue into 2026 unless there is a substantial uptick in deal activity.

### GUIDE



#### Reps and Warranties Insurance: The Essential Guide

RWI is now an established component of the M&A toolbox. Get trends in this growing marketplace as well as insight and analysis.

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### BLOG



#### RWI for Small Deals: A Strategic Shift in Product Design

The US RWI market is evolving, with new products tailored for small M&A deals. Learn more about these options.

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# 4.0

## Transactional Insurance Top Trends

4.1 Slower Market Growth and Industry Consolidation

4.2 Further Price Drops May Be Unsustainable

4.3 More Focus on Small Deals

4.4 Claims Activity Rises



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# Transactional Risk Insurance Top Trends

## 4.1

### Slower Market Growth and Industry Consolidation

The reps and warranties insurance market is not growing at the rate seen in previous years. A notable development has been the consolidation of Themis into Ryan, with Ryan taking over Themis’s book of business and absorbing its underwriters. Mergers like this can influence competition, pricing, and capacity in the sector.

## 4.2

### Further Price Drops May Be Unsustainable

The market continues to be highly competitive. We have stopped seeing quotes for less than 2% of the limit, but we rarely see a quote as high as 3%. The rate is still much lower than it was in 2022, when it averaged 5.1% in the first quarter.

#### BLOG



#### Mid-Year Update: M&A Market Shifts and RWI Response

M&A activity is gaining momentum, resulting in rising RWI prices. Discover key trends, predictions, and how new legislation could reshape deals and insurance.

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# Transactional Risk Insurance Top Trends

## 4.3

### More Focus on Small Deals

The RWI market is evolving to better serve smaller transactions that were traditionally overlooked due to high costs and extensive diligence requirements. Two underwriting markets are creating products and processes specifically for smaller deals. They offer standardized policies, simplified underwriting, and cost-effective coverage, making RWI accessible for deals under \$50 million.

## 4.4

### Claims Activity Rises

We have seen an uptick in claims activity, which is a standard phenomenon across all insurance lines in a downturned economy. We anticipated this would cause more dissatisfaction with claims handling because insureds are making more speculative claims attempts. This has created an almost two-tier system for claims in RWI. Some insurers have started to push back on legitimate claims over small technicalities, while others continue to be positive in handling claims. We expect this will have a real impact on how clients choose an underwriter.

**Unless there is a major shift in the deal environment, we expect these trends to continue into 2026.**



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Insurance Due Diligence for Private Equity and M&A

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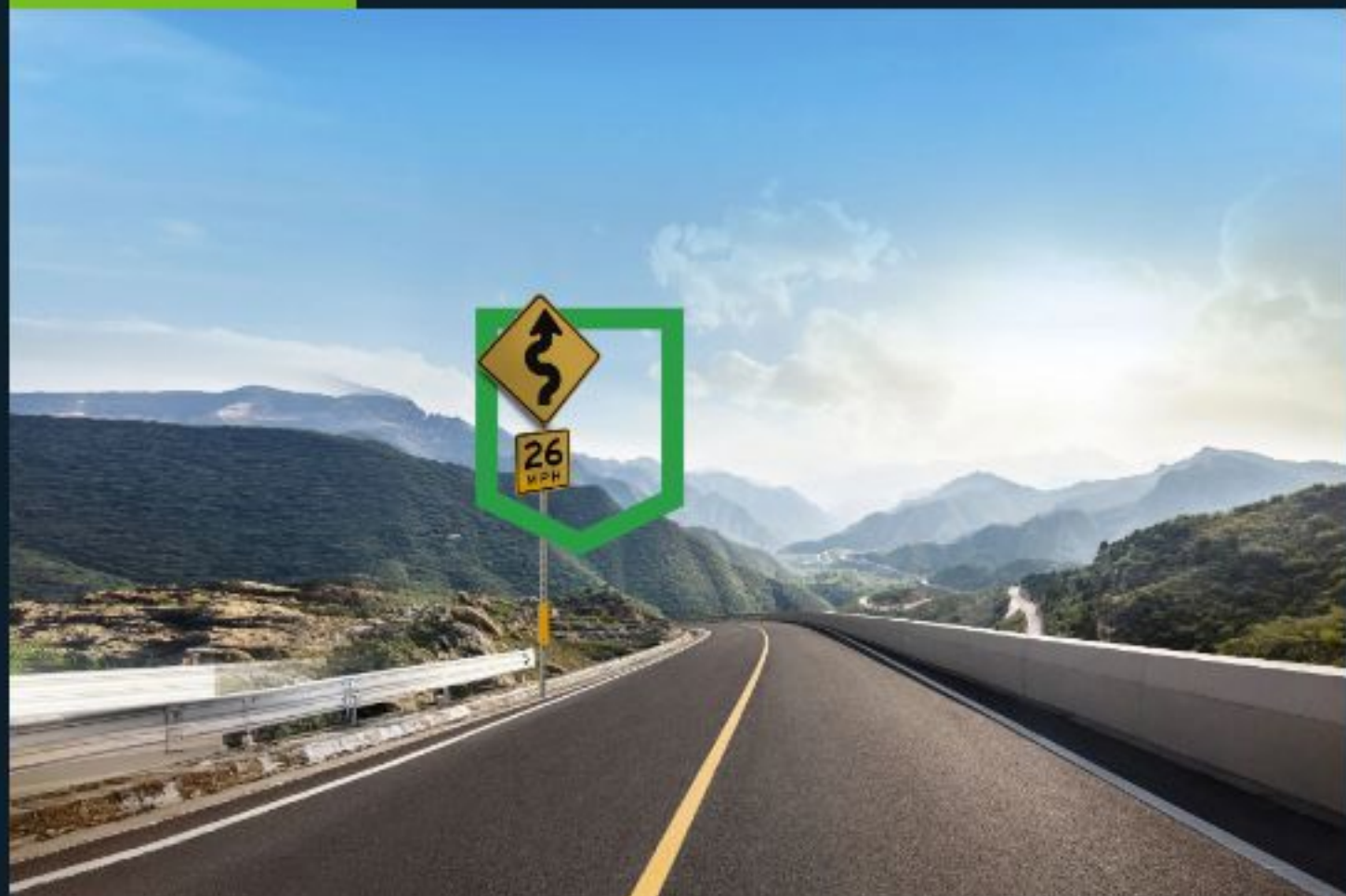
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