



In M&A, You Can't Treat the Fourth Quarter Like Any Other

An annual reminder about insurance and employee benefits in year-end transactions

Experienced deal teams know how quickly fourth-quarter timelines can tighten. With a busy close to 2026 taking shape, six specialists from four Symphony Risk businesses flag what they are seeing heading into year-end. Some are familiar reminders. A couple are new this year.

As year-end closings converge, deal teams, advisors, underwriters, and specialists face competing priorities. Engaging early, identifying issues quickly, and allowing time for diligence and underwriting can help Buyers preserve flexibility, stay on schedule, and improve outcomes.

01 January 1, 2027, medical insurance renewals will require serious budget consideration

Elliot Rosenblum, President, Symphony Consulting

National employer surveys project another year of increases in total health benefit cost for 2027, ranging from the high single digits to low double digits depending on whether employers make cost-reduction changes. Mind you, these are averages. Underwriters of middle-market group health plans tell us some companies should expect increases three to four times those averages.

From a transaction perspective, Buyers closing in 2026 should not rely on the Target's current medical expense. They should obtain the actual January 1 renewal and understand the financial impact of the increase. Otherwise, a Buyer may inherit a significant and immediate expense that was not reflected in adjusted EBITDA or the purchase price.

Healthcare expenses should be managed like any other significant business expense. Buyers should understand what is driving the increase and evaluate changes that address the underlying cost and risk, not simply absorb another renewal or shift more of the cost to employees through higher contributions, deductibles, and out-of-pocket expenses. Our [Employer Health Plan Cost Management Playbook](#) outlines a more disciplined, active approach to managing an employer-sponsored health plan.

02

Year-end RWI placements require preparation and discipline

Will Walker, *President, Symphony Specialty*

As Buyers work toward year-end closings, representations and warranties insurance (RWI) underwriters are becoming more selective about where they devote their time. Capacity remains stable, particularly for smaller and middle-market transactions, while capacity constraints appear to have a greater effect on larger deals. We are also beginning to see some pricing pressure: quotes that were in the low 3% range earlier this year are moving into the mid-to-high 3% range with certain underwriters. A significant reduction in capacity could put further pressure on rates.

For Buyers, the immediate priority is to give underwriters a submission they can act on. With more deals competing for attention, incomplete information or limited diligence may cause a transaction to lose priority, particularly when underwriters must weigh the time required for a smaller deal against larger opportunities. Providing complete information, allowing adequate underwriting time, and sharing third-party diligence reports well before the underwriting call can help keep coverage on track for closing.

03

Tax insurance can protect historic or current-year tax positions, including Qualified Small Business Stock exits

Doug Brody, *President, Symphony Tax*

If you exited a Qualified Small Business Stock investment in 2025, you are already exposed to a potential challenge of that tax position. For 2026 exits and rollovers, the tax benefits, and the associated exposure, are now coming into focus. Tax insurance can protect the expected tax treatment and sale proceeds against a successful IRS or state tax authority challenge, removing uncertainty that could delay signing, closing, distributions, or reinvestment.

Did the Target engage in a historic transaction or take a tax return position that creates actual or perceived risk for the Buyer? Is there a large gap between the stated value of the Target's tax attributes (e.g., tax basis step-up, net operating losses, tax credits) and the value being assigned by the Buyer? Tax insurance can address these and a wide range of known tax issues that are likely to be excluded from coverage in an RWI policy.

04

Some sectors require earlier insurance broker engagement at year-end

Will McCutchen, *Principal, Symphony Transact*

Insurance due diligence often begins during the confirmatory stage, but certain platform investments may need more time to assess their risks and arrange bespoke coverage that supports growth. At year-end, Buyers should engage their insurance advisor as early as possible to determine whether the Target's industry, operations, or risk profile calls for specialized analysis or additional underwriting.

For instance, field services, roofing, environmental services, heavy transportation, infrastructure, law firms, audit firms, and some healthcare businesses may require coverage and transition steps that are difficult to complete within a compressed diligence period. Identifying those needs early helps avoid surprises, protect the Buyer's negotiating position, control costs, and keep the deal on schedule.

05

Target's policy renewals near the closing date need a plan

Keith Wilson, Principal, Symphony Transact

Many companies renew their property and casualty insurance programs around January 1, so an end-of-year closing can fall just days before or after a Target's renewal. A Buyer that doesn't plan for this may find itself negotiating a renewal for a business it doesn't yet own, inheriting a program that was renewed with unfavorable terms, or holding policies that cannot be canceled. Buyers should confirm the Target's renewal dates early in the due diligence process and decide whether to renew as-is, extend the existing policies for a short period, or move an add-on onto the Buyer's program at closing.

Change-in-control provisions add another layer. Claims-made policies such as directors and officers, employment practices, fiduciary, cyber, and professional liability typically go into run-off or terminate as of a change in control, which means extended reporting ("tail") coverage for unknown pre-closing wrongful acts must be negotiated, priced, and bound before the deal closes. Who pays for it, how long it runs, and what limits are appropriate should be settled in the purchase agreement – not in the final week.

Finally, holiday schedules shrink underwriter availability at exactly the moment new policies, endorsements, and tails need to be bound. Buyers that map out the Target's full program, identify every policy affected by the transaction, and line up terms well before closing can avoid coverage gaps on day one and unplanned costs that were never reflected in the purchase price.

06

Insurance products can differentiate a bid or overcome a deal obstacle

Geoff Kennedy, Senior Principal, Symphony Transact

Representations and warranties and tax insurance are not the only insurance products that can be used in M&A. There are a wide variety of issues that surface during due diligence that can be insured and may help a Buyer offer a cleaner solution to the Seller or differentiate a bid. Here are a few examples:

- **Discontinued Products** – Is the transaction a carve-out of consumer products assets? A Buyer can offer to assume liability for products already in the stream of commerce, allowing the Seller to avoid exposing its insurance policies or product liability retentions to post-closing claims involving products manufactured or sold before closing.
- **Successor Liability** – Did the Target experience a sizable product liability claim years ago that exhausted its policy limits? Did the Target purchase insurance coverage from an insurer that is now defunct? Successor liability insurance can retroactively replace or “top off” product liability coverage from prior years.
- **Intellectual Property** – Does the Target's financial success largely stem from its intellectual property? A Buyer can use intellectual property insurance to transfer the risk that the Target's patents, trademarks, copyrights, or trade secrets are challenged after closing. The policy can cover defense costs, damages, settlements, and, depending on the structure, lost value if key rights are invalidated. This can reduce the need for a large escrow or Seller indemnity, bridge disagreements over that risk, and help the parties close the transaction.

Treat the fourth quarter differently

A successful year-end closing is rarely the result of working faster in the final days. It is the product of starting earlier, raising issues while there is still time to solve them, and bringing the right specialists into the process with enough time to act. That is why this reminder comes from six people across four Symphony Risk businesses instead of one. If a transaction on your calendar touches any of the issues above, call us now, not in December. **Josh Warren**, President, Symphony Transact, can connect you with the right specialist: 415-357-9212 | jwarren@symphonyrisk.com