

Outlook 2025

Private Equity

Leadership and operational excellence will remain essential as dealmaking rebounds.



What to Expect in 2025

Deal flow should expand in 2025 due to lower interest rates and moderating valuations, and there will be continued strength in the secondaries market. The focus on operational performance and earnings quality will likely persist, and the cost of Representation and Warranties (R&W) and Directors and Officers (D&O) coverages are expected to remain near historical lows. Forward-thinking portfolio managers will embrace risk management and insurance planning as an opportunity to add value.

**\$1.2
trillion¹**

*The amount of dry powder held by **U.S. private equity firms** at the end of first half 2024, the most ever²*

**\$2.6
trillion**

*The amount of dry powder held by **private equity firms worldwide** at the end of first half 2024, the most ever.³*

1. All numbers in U.S. dollars.

2. Ropes & Gray, "[U.S. Private Equity Market Recap](#)," August 2024.

3. S&P Global, "[Private equity dry powder growth accelerated in H1 2024](#)," July 12, 2024.

Lower interest rates and more realistic valuations point to a rebound in 2025.

Private equity deal volume began to recover in 2024, reaching \$255 billion in the first half, compared with \$217 billion in the first half of 2023.⁴ While that's a lot less than in the first half of 2022 (\$524 billion), the first two quarters of 2024 marked what appears to be a slow and steady improvement in dealmaking.

Buyers are willing to pay more for quality portfolio companies (portcos) and, to a lesser extent, sellers are reducing their expectations. Such narrowing of the valuation gap may lead to further improvement in dealmaking.

However, until the market loosens, liquidity will remain an enormous issue for many PE firms. Those in need of liquidity continue to access the secondaries market, with an estimated \$71 billion in activity in the first half of 2024 and a predicted \$150 billion for 2024 as a whole.⁵ The secondaries market should continue to thrive in 2025.

As it remains difficult to implement exit strategies at acceptable valuations, PE firms are awash in undeployed capital, with \$2.6 trillion of dry powder held by firms globally. Meanwhile, institutional investors — whose portfolios are 22% invested in private equity⁶ — may be considering a pullback to rebalance their portfolios, further hampering liquidity.

As they hold back new investments to rebalance their portfolios, a growing liquidity issue may continue to hinder the formation of new funds in the coming year. PE firms must find innovative ways to build portco value and position them for success.



Those firms with effective insurance and risk management plans will be in a strong position to profit in 2025, no matter which direction the market heads. Adapting to uncertainty and winning in the marketplace starts with contacting a broker with deep industry expertise who can help a PE firm develop a competitive advantage in generating returns.

4. EY, "[Private Equity Pulse](#)," July 25, 2024.
5. Lazard, "[Lazard Interim Secondary Market Report 2024](#)," September 5, 2024.
6. Moonfare, "[Private equity asset allocation](#)," September 2, 2024.

PE firms of all sizes will have opportunities to recruit and retain top talent.

As they battle for talent to lead their portfolio companies, there's always competition for top talent at PE firms themselves. And whether they're recruiting analysts from elite universities⁷ or poaching directors from rival firms, attracting and retaining the best and brightest will continue to be a challenge, particularly for smaller and less established funds.

Adding to that challenge, more than half of PE firms lack succession plans, and most of the rest report they don't have adequate talent in the pipeline to promote, largely because they haven't developed talent internally.

PE executives realize the importance of hiring and developing talent within their firm. They say quality of leadership and succession are the most important factors in determining their success, three times more important than portfolio rationalization and twice as important as artificial intelligence.⁸ No longer can a PE firm hire a B-level team and get A-level results.

Instead of sitting back, they're seeing an opportunity to recruit top talent from the full spectrum of financial services, often from organizations outside of PE or even finance.

And large, well-heeled PE firms are hiring former CFOs, CMOs and CTOs from other companies, and increasingly, they're hiring former Chief Human Resource Officers (CHROs). PE firms hope that ex-CHROs not only can elevate recruiting and retention, but also implement learning and development programs, as well as create sophisticated, personalized benefits plans. They're also leveraging that expertise within their portfolio companies.

Smaller PE shops usually cannot afford to hire high-level CHROs from top companies, as such positions can command mid-six-figure salaries plus bonuses.

But there are opportunities for them: Such firms can get similar results through a strong benefits partner that can deliver the same type of services as a highly compensated CHRO. Tools such as [Workforce Persona Analysis™](#) help deliver personalized benefits that engage employees at all levels of the organization.

7. Peak Frameworks, "[Best Private Equity Placement](#)," accessed September 12, 2024.

8. Alix Partners, [Leadership and the Future of Value Creation: The New PE Imperative](#), March 2024.

Insurance and risk management will no longer mean checking a box.

With deal volume remaining sluggish over the past several years, more carriers are bidding on fewer deals, driving down the cost of R&W coverage even further than the historic lows that it's been at for the past two years.⁹

In fact, some deals have resulted in coverage costing less than 2% of deal value. D&O coverage is also approaching all-time lows. As the cost of coverage has dropped, the amount of time to consummate deals has extended.

Since PE managers cannot afford to miss earnings projections because of a deal gone bad, the time spent on due diligence has increased as much as 50%. Deals tend to be bigger, more complicated and more prone to mistakes.

Proper due diligence involves both property-casualty insurance and employee benefits issues. Among many elements of diligence, buyers must analyze target company contractual obligations, international exposures, large claims, the overall adequacy of the benefits program and benefits compliance issues before the deal is finalized.

Dealmakers and portfolio company managers have often considered proper insurance and risk management as a “check the box” exercise needed to complete a deal, with risk management strategies limited to finding the cheapest insurance.

Exit timelines have extended, however, with some investment pools lasting years after their target dissolution. As a result, risk management and insurance programs have become far more important for PE firms' portcos. Yet fully one-third of financial institutions responding to HUB International's 2025 Outlook Executive Survey¹⁰ reported they do not have a formal enterprise risk management assessment process. This could lead to suboptimal risk management, inadequate insurance and — ultimately — inferior results.



More portfolio companies will use analytics to assess the quality and suitability of coverages, especially for cybersecurity, business continuity, weather-related risks and catastrophes. All of the above risks have increased across all businesses.

PE firms are also facing increased regulatory and legislative scrutiny: The U.S. Department of Justice, the SEC and the European Union have issued new directives and mandated disclosures in the past year that will directly or indirectly affect PE operations.¹¹ Firms must double their attention in meeting regulations and managing such risk throughout 2025.

9. Woodruff Sawyer, "[Reps & Warranties Insurance: Our 2024 Guide](#)," August 20, 2024.
10. HUB's Outlook Executive Survey polled 900 C-Suite and VP-level executives on the issues facing them on profitability, employee vitality and organizational resilience.
11. BCG, "[The Regulatory Climate Is Getting Hotter for Private Equity](#)," July 17, 2024.

Management at portcos will remain essential to sustain returns.

In a slow market with extended exit cycles, PE firms are holding on to assets much longer than in previous years. Not only does that affect insurance and risk management needs at portcos but means that leadership and top management to run portfolio companies could be the difference between top-quartile performance and disappointing results.

In this spirit, the race to recruit top executives to manage portfolio companies is only increasing.¹² That's also exemplified by the increased concern from PE managers: More than half say that executive retention risk for their portfolio companies has increased in the last year.¹³

The search for leadership at the approximately 23,000 companies that private equity owns has become so intense that some are hiring first-time CEOs to lead their portcos.¹⁴ Some are embracing a "CEO-first" approach to investing, in which PE firms recruit rising stars from management at successful companies, then partner with those hires to identify and acquire a company to lead.

Overall, a broader view of talent development and employee retention means PE firms will need to invest more robustly in programs to recruit, train and retain rising talent at their portcos.

In addition, the human resources capabilities of their portfolios may need to be supplemented or replaced with outsourced solutions that are better equipped in these areas.



PE management can also look to improved compensation and incentive benefits strategies to keep lower-level employees engaged at their portfolio companies. For instance, according to the HUB survey companies nationwide are implementing auto/home and personal insurance solutions (48% of respondents), enhancing retirement plans (43%) and improving compensation (41%) as ways to improve their employees' financial wellbeing.

12. Business Insider, "[Move over dealmakers, portfolio-company operators are the rising stars of private equity.](#)" August 14, 2024.

13. Alix Partners, "[Leadership and the Future of Value Creation: The New PE Imperative.](#)" March 2024.

14. Hunt Scanlon Media, "[The Rise of First-Time CEOs in Private Equity Portfolio Companies.](#)" June 21, 2024.

Navigating Your Next Steps

HUB private equity specialists will work with you to develop a tailored strategy that will protect the bottom line, support your workforce and build resiliency for 2025. Here are some initial considerations:

1

Don't shy away from risk.

Erratic deal volume has made private equity firms more mindful of their bottom line. Taking a higher deductible on any number of coverages can reduce premiums and improve experience rating. Ask your HUB broker about captive solutions, self-insurance and risk retention groups.

Understand the root cause of large losses and explain to carriers your plan for preventing future losses. Develop a strategy with HUB to determine the best time and frequency to review alternative markets.

2

A (good) loss trend is your friend.

3

It's all about your people.

PE firms and their portfolio companies are struggling to attract and retain top talent. But hiring and retaining a strong base of employees requires supporting employees' health, safety and wellbeing. Give them the ability to personalize their benefits without increasing costs. [HUB's QEX approach](#) will give you a competitive advantage.

With multiple businesses to manage, you'll have multiple risk issues. Let your broker know what changes you've made so there are no surprises at renewal. Review exposures and insurance needs at least 90 days prior to policy renewal, so your broker can identify the best options.

4

Be transparent with your broker.

Canada Commercial Rate Guide

HUB International analyzes proprietary national survey data and interviews commercial insurance brokers and risk services consultants to create an annual rate outlook for Canada.

Below is our outlook on insurance rates in Canada for 2025. Discuss your business exposures with your HUB insurance broker to understand what to expect in advance of your next renewal.

Coverage	2025 Canadian Rate Guide	Insights
Commercial Automobile: One to five vehicles	Flat to +5%	Inflation and vehicle thefts continue to push rates upward. Rate increases are being filed in most provinces due to an increase in the frequency of claims and the amount of repair bills rising.
Commercial Automobile: Six or more vehicles	Flat to +5%	Inflation and theft continue to put pressure on rates. An increase in the frequency of claims and higher repair costs have driven rate increases.
Liability	-5% to Flat	Better performance in general liability has helped insurers offset losses in property insurance. Terms and pricing are more flexible as carriers seek to diversify their business.
Excess Liability	Flat	Excess liability premiums remain stable and in some cases are falling, with variability depending on exposure and attachment points. Excess layers with U.S. exposure may see rates increase.
Commercial Property	-10% to Flat	Most segments in commercial property are seeing rate reductions, but property in catastrophe-prone zones is still experiencing rate increases. Rebuilding costs have steadied, but undervalued properties remain a concern, as these properties may not be insured to cover full rebuilding and replacement costs.
Residential/Habitational Property	Flat to +5%	In light of recent natural catastrophes, premium increases and stricter terms and conditions are expected to continue.
Catastrophic Perils	Flat to +5%	Given the increased frequency and severity of weather events, rate increases are expected in catastrophe-prone areas. Climate change continues to push rates higher.
Environmental	-10% to Flat	The environmental insurance market remains favourable as insurers are eager to write new business. However, terms are tightening; insureds need to carefully review exclusions and restrictions at renewal.
Directors & Officers: Private	-10% to Flat	D&O coverage for private companies remains soft with ample capacity as carriers compete to keep business. Rates will be flat at renewal or dropping when there's competition for the business.

Canada Commercial Rate Guide

Coverage	2025 Canadian Rate Guide	Insights
Directors & Officers: Public	-10% to Flat	Public companies continue to see rate cuts or no increases at all due to increased competition. There is plenty of capacity, and underwriters are pricing with favourable terms and conditions.
Cyber Liability	-10% to Flat	Rates continue to reflect improvement in the cyber market. Carriers will lean toward flat rates at renewal unless competition for business drives rates downward.
Inland Marine	-5% to Flat	Despite trending downward overall, rates are rising in some geographies, largely due to the increased frequency and severity of weather events in catastrophe-prone locations, as well as an increase in theft.

NOTE: *Rate* is typically defined as the amount of money necessary to cover losses and expenses while providing an insurance company with a profit for a unit of exposure. *Exposure* refers to a business' or individual's susceptibility to various risks encountered daily. Carriers evaluate the level of risk an insured faces in calculating insurance premiums.

Industry Perspective

Business	2025 Rate Guide	Insights
Agribusiness	-10% to +5%	Additional property capacity is available for best-in-class construction and protection. Unprotected frame properties remain challenging to cover.
Cannabis	-10% to +10%	<p>Insurance rates for cannabis operations will vary depending upon the type of business and coverage. Commercial auto coverage is likely to rise 5% to 10% due to worsening loss trends. However, insureds may be able to negotiate discounts for general liability insurance and package coverages.</p> <p>Despite an improving market overall, property insurance rates in cannabis are likely to increase as much as 10% due to some significant losses. Following market trends, cannabis insureds will enjoy rate relief for D&O and cyber coverage.</p> <p>Stock throughput insurance rates will rise about 5% to 15%, with rate increases at the higher end for perishable or combustible stock.</p>
Construction	-5% to Flat	When construction operations put their business to market, there may be rate decreases. Several factors will drive reductions in rates: increased capacity, favourable claims experience and a more competitive environment.
Education	-10% to Flat	The property market is competitive, giving rate relief for educational institutions. Rates for cyber and D&O are also declining, giving institutions an opportunity to consider fortifying coverages.
Entertainment & Sports	-5% to +10%	<p>After years of rate increases, the market for property insurance in entertainment and sports has leveled out, with slight decreases or slight increases for 2025. General liability coverage will depend on loss history, with rates falling 5% or rising up to 10%.</p> <p>Excess liability coverage insurance rates will be flat or drop slightly. D&O and cyber insurance will follow general industry trends, with rates stabilizing or falling as much as 10%.</p>
Financial Institutions	-10% to +5%	<p>The industry will benefit from trends affecting insurance overall. D&O rates will drop as much as 10% due to strong competition and favourable conditions for insureds, while professional liability rates will reflect aggressive bidding for business.</p> <p>Low claims activity for Canadian private equity firms has attracted capacity for general partner liability coverage. However, firms with U.S. presence are likely to see reduced capacity.</p>
Healthcare	-5% to +10%	<p>Rates for property insurance in healthcare will rise, although the increases are expected to be small. General liability coverage will also increase slightly, with a high rate of renewals; insureds may see a 5% to 10% decrease if they go to market for a lower rate. The same is true for E&O insurance in healthcare.</p> <p>Excess liability rates are expected to remain stable.</p>

Industry Perspective

Business	2025 Rate Guide	Insights
Hospitality	-15% to +10%	<p>A wide range of outcomes in hospitality reflects different market conditions. Underwriters are competing for business for property, general liability and excess liability insurance, driving down rates as much as 15%.</p> <p>Meanwhile, auto insurance remains challenging in some regions though rate increases for larger fleets should be minimal. Like for cyber insurance as a whole, the cyber market in hospitality is also competitive, but can be challenging for hotels, as the risk is shared between the owner, manager and banner.</p>
Real Estate	-15% to Flat	<p>A competitive market will continue to drive property rate reductions for best-in-class properties with favourable loss histories. General liability rates for real estate will remain relatively flat and insureds can negotiate reductions for best-in-class properties.</p> <p>Underwriters are competing for business in excess casualty, moderating or reducing rates for insureds without U.S. exposure.</p> <p>And environmental coverage for property owners could see rates fall as much as 15%, particularly for low-risk residential properties.</p>
Transportation	Flat to +5%	<p>The transportation sector is in a very competitive market cycle. Companies that put their business out to market are likely to get better rates than those simply renewing with their current carrier.</p>

NOTE: Rate is typically defined as the amount of money necessary to cover losses and expenses while providing an insurance company with a profit for a unit of exposure. **Exposure** refers to a business' or individual's susceptibility to various risks encountered daily. Carriers evaluate the level of risk an insured faces in calculating insurance premiums.

HUB Financial Institutions



When you partner with us, you're at the centre of a vast network of experts who will help you reach your goals. For more information on how to manage your insurance costs, reduce your risk and take care of your employees, talk to a HUB financial institutions insurance specialist.

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