

ALLIANZ COMMERCIAL

Directors and officers (D&O) insurance insights 2025

Top risk trends and exposures for
boards of management



1. Exposures without borders

Complex geopolitical contexts and heightened regulatory scrutiny present many risks for directors and officers operating in multiple jurisdictions.

As the international business environment has expanded, so have the exposures faced by D&Os in their increasingly interconnected operations, with risks arising from geopolitical upheaval, climate change, economic uncertainty, shifts in public opinion, and an evolving legal landscape.

“We have seen regulatory bodies across the globe step up scrutiny of corporate conduct, making D&Os more vulnerable to investigations, penalties, and lawsuits,” says **Vanessa Maxwell, Chief Underwriting Officer at Allianz Commercial.** *“Sharper focus on ESG, in particular, is leading to potential liabilities for D&Os as they are increasingly held responsible for companies’ environmental, social, and governance impact. These responsibilities extend beyond the parent company to its global subsidiaries and their supply chains.”*

Maxwell points to a rise in “greenwashing” claims, as companies are accused of exaggerating their ESG credentials to win business, attract customers, or enhance their public image. *“We are mainly seeing this across the US and Europe, but a significant case in March [2024] saw the Australian Securities and Investments Commission bring and win its first greenwashing civil penalty action.”*

The litigation landscape and enforcement have become increasingly stringent, with securities class actions proliferating not only in the US, but also in Europe and Australia. Across Europe, 133 class actions were filed in 2023, says law firm CMS¹, the highest number to date and a 10% increase on 2022. “Opt-out” class actions outnumbered “opt-in” class actions for the first time. Class actions in Australia soared by 43% to 60 in 2023, according to law firm Allens².

Across Europe the number of class actions filed in 2023 increased by

10%

Class actions in Australia soared by

43%



We have seen regulatory bodies across the globe step up scrutiny of corporate conduct, making D&Os more vulnerable to investigations, penalties, and lawsuits

“These trends are driving the need for D&O policies that are responsive to multi-jurisdictional risks and can provide local coverage for legal defence costs, settlements, and other liabilities,” says Jacinda Da Rosa, Global Underwriting Head of Multinational, Financial Lines, at Allianz Commercial.

“Among the most significant emerging exposures for D&O liability are privacy-related claims. Privacy has been central to several recent corporate and securities lawsuits, including a putative class action lawsuit over the Google+ social media website, in which Google has agreed to pay \$350mn to shareholders.”³

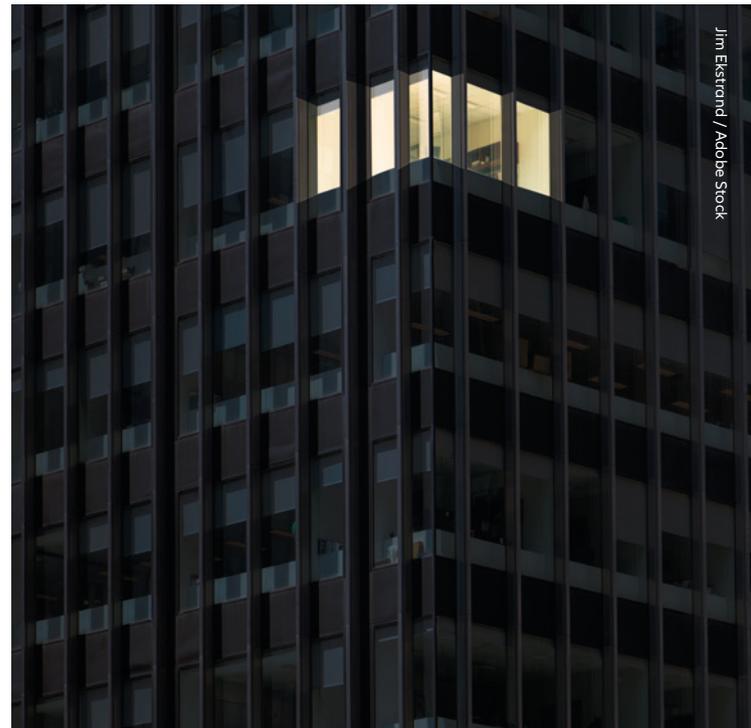
The febrile geopolitical landscape is another liability challenge as global corporations find themselves caught up in world events. War in Ukraine, conflict in the Middle East, and tensions between the US and China illustrate how upheaval can lead to supply chain disruption, business interruption, and legal and regulatory scrutiny.

Companies can face scrutiny for their non-compliance with international sanctions, or for failing to adequately manage risks related to politically unstable regions. D&Os can be held accountable for misjudging the impact of geopolitical developments on their company’s operations, leading to shareholder lawsuits or regulatory penalties.

“D&Os need to update their knowledge around geopolitical and regulatory changes more regularly than before,” Da Rosa adds. “A once-a-year review is no longer sufficient in the volatile era businesses are now operating in.”

In addition to geopolitical upheaval, there are fast-intensifying exposures associated with artificial intelligence (AI) to mitigate, with a patchwork of legislation evolving worldwide. Most corporations are integrating AI technologies to remain competitive, but this comes with risks, including allegations of “AI washing” (exaggerating the potential impact of AI innovation – see page 5), data security, privacy concerns, employee misuse of proprietary code on AI platforms, and the prospect of AI “hallucinations,” whereby the AI technology generates fabricated responses.

“D&Os must understand how AI is impacting their company and ensure that appropriate structures, processes, and audits are in place to address privacy, confidentiality, and disclosure issues effectively,” says Da Rosa.



Jim Ekstrand / Adobe Stock

The need for local coverage

Larger firms with subsidiaries in other countries need an international insurance solution to protect management interests globally. Some countries require companies to take out insurance from a locally admitted insurer, while other jurisdictions will allow a master policy to be issued in another country that covers local exposures.

An “admitted” policy is a policy issued or coverage provided by an insurer for a risk located in a territory in which that insurer is licensed. A “non-admitted” policy is a policy or coverage provided where the insurer is not licensed.

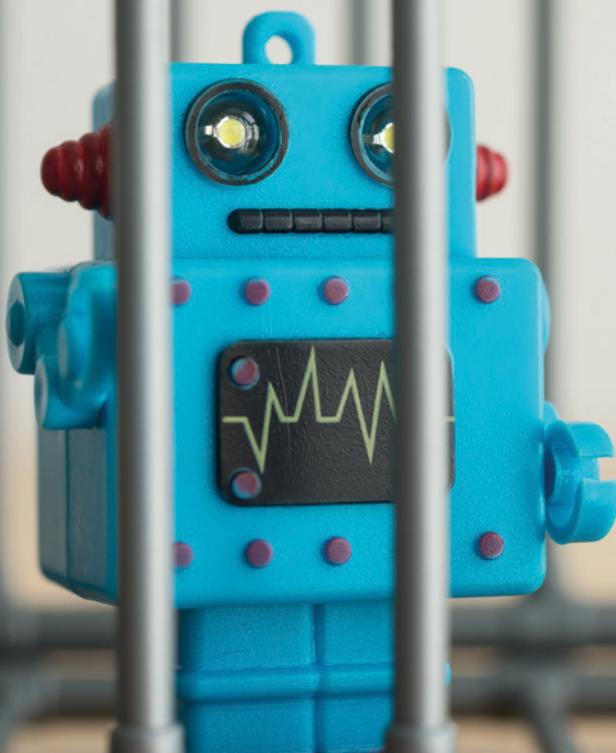
“We are seeing an increased interest in multinational insurance programs as regulations tighten in many jurisdictions, multiplying the compliance requirements that companies face and putting them under greater scrutiny,” says Jacinda Da Rosa, Global Underwriting Head of Multinational, Financial Lines, at Allianz Commercial.

2. From “hallucinations” to “AI washing”, artificial intelligence risks abound

With the AI transformation underway, companies must adapt quickly to exposures around disclosure, regulation, shareholder scrutiny, and litigation.

*“AI is a potential business game-changer, and we have barely scratched the surface of its legitimate business applications,” says **Jarrold Schlesinger, Global Head of Financial Lines and Cyber at Allianz Commercial.** “It’s real and it’s here to stay, but it’s in its early stages and presents many unknowns, which will always be an issue for D&O underwriters.”*

With financial penalties, lawsuits, and reputational damage all potentially resulting from AI transgressions, businesses need to tread carefully, especially with disclosure, and AI must be subject to the same level of control as any other public statement a company makes. AI-related litigation has been increasing, with 38 AI-related federal securities class action lawsuits filed between March 2020 and October 2024, including 13 in 2024⁴.

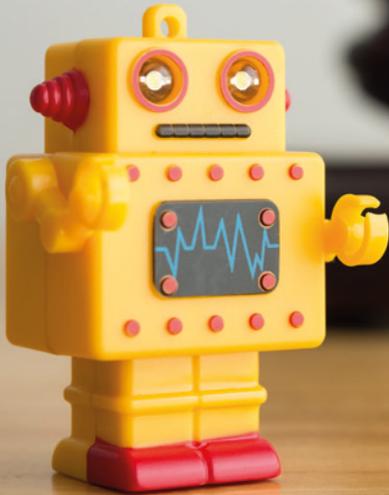


38

the number of AI-related securities class action lawsuits filed between March 2020 and October 2024

13

of which were filed in 2024 alone



Companies that exaggerate their involvement with AI could be accused of “AI washing” if their claims do not stack up, potentially leading to securities class action lawsuits

Inaccuracy is a key concern. If AI systems are trained on inaccurate or biased inputs, this will be reflected in their outputs, including completely fabricated results known as “hallucinations.” In 2023, two US lawyers were fined for submitting a legal brief generated by ChatGPT that cited non-existent legal cases⁵.

Companies that exaggerate their involvement with AI could be accused of “AI washing” if their claims do not stack up, potentially leading to securities class action lawsuits and enforcement actions.

*“Businesses involved in AI tend to have high-flying stock prices, and investors see AI as a competitive edge,” says **Schlesinger**. “However, in the US, we have seen at least six enforcement actions by the Securities and Exchange Commission (SEC) against companies that overstate their AI capabilities, mostly affecting investment advisory firms, but certainly not confined to this segment. The SEC warns businesses that the basics of securities laws still apply. And it’s not only a North American issue – a class action lawsuit was recently filed against an AI and robotics company headquartered in China, which included allegations it overstated its AI capabilities.”*

In commenting on a recent suit involving a trading company, Andrew Dean, Co-Chief of the SEC’s Asset Management Unit, explained that the company’s owner had “lured investors and clients with multiple fabrications, including with buzzwords about the latest AI technology. As AI becomes more popular in the investing space, we will continue to be vigilant and pursue those who lie about their firms’ technological capabilities and engage in ‘AI washing.’”⁶

The Federal Trade Commission (FTC) in the US has also expressed its intent to crack down on deceptive AI claims and schemes and has announced five law enforcement actions⁷.

Also scouting for missteps is the plaintiff’s bar. The US is currently the focus for class actions related to AI, but litigation risk extends beyond North America, as any company that has its stock listed on a US exchange is subject to US securities law.

Schlesinger warns of systemic risk too: *“Where AI tools are related, through a common dataset or algorithm, a failure in the system could be multiplied across different companies. In addition, the use of common algorithms might encourage ‘herding behavior’ that influences financial markets.”*

Intellectual property (IP) is another area of potential litigation. Several newspapers have filed high-profile copyright lawsuits against companies OpenAI and Microsoft for misappropriation. Employee misuse of third-party proprietary code on AI platforms also presents a liability risk to companies.

Data privacy violations from AI usage can carry high penalties and reputational damage, as was evidenced in July 2024, when the state of Texas secured a \$1.4bn settlement with Meta over the unauthorized use of biometric data⁸.

The role of the board

Board involvement in AI governance has been hotly debated, with some calling for greater board oversight because of the increasingly high stakes, and others warning of the potentially inhibiting effect on innovation. A recent report from the National Association of Corporate Directors⁹ tackles this issue, stressing the urgency for boards to govern technology with greater insight, oversight, and foresight.

According to **Dan Holloway, Head of Global Management Liability Commercial at Allianz Commercial**, AI risk and strategy needs to be a board-level consideration. *“Boards must understand AI use cases, potential benefits, and set the risk appetite to ensure risk mitigation is in place. Compliance oversight should include existing obligations on privacy, cyber security, discrimination, and IP, while monitoring and reporting should cover off performance, risks, and compliance status through clear reporting lines and metrics. External consultants with specialist expertise should be called upon where appropriate.”*

Holloway concludes: *“As insurers, we expect to know how our insureds are using and approaching AI, what AI means for their business, and how they are monitoring it. And while it is important not to overstate AI capabilities, D&Os cannot afford to ignore the opportunities AI presents to their business either. Being seen as unresponsive could also represent a litigation exposure.”*



Global development of AI legislation and regulation

The European Union’s Artificial Intelligence Act, the world’s first comprehensive AI regulation, became effective in August 2024. The law addresses the technical aspects of AI safety and AI’s ethical and societal implications. Non-compliance with certain practices could incur fines of up to €35mn or 7% of annual global turnover. Violations also run the risk of follow-on corporate and securities litigation. The regulation will be fully applicable 24 months after its entry into force, with some exceptions. This could have significant risk implications for companies as the law establishes a framework for liability. D&Os and boards will be required to develop compliance frameworks to ensure they meet the regulatory requirements.

In the **US**, AI regulation has only been at the state level. Colorado’s comprehensive AI law, which will be effective from February 2026, requires developers of high-risk AI systems to use reasonable care to protect consumers from algorithmic discrimination or face penalties of up to \$20,000 per violation. California’s AI legislation addresses transparency, disinformation, IP, consumer protection, and healthcare, with a penalty of \$5,000 per violation, with each day deemed a discrete violation.

China’s National Information Security Standardization Technical Committee released the first version of an AI safety governance framework in September 2024. The framework outlines a set of principles addressing AI governance, safety, ethics, risks, and mitigation.



3. Insolvency levels could rise before they fall

Rates of bankruptcy filings are likely to get worse before they get better, heightening risk exposures for D&Os, as lenders potentially seek to recoup losses or shareholders allege breach of fiduciary duty.

Business resilience continues to be tested by geopolitical uncertainty, uneven financing conditions, sluggish growth, and the after-effects of the Covid pandemic. Global business insolvencies for 2024 are expected to rise by +11%, and countries accounting for more than half of global GDP will be hit by double-digit insolvency increases in 2024, according to research by Allianz Trade¹⁰. Two-thirds are set to reach the year's end with the number of insolvencies above pre-pandemic levels, compared to one out of two countries in 2023.

Allianz Trade expects a further +2% increase in 2025 before a stabilization at still-high levels in 2026. The increase will put over 1.6mn jobs at risk in Europe and North America alone, with the construction, retail, and services sectors among the most vulnerable.

In the US, Allianz Trade foresees a rise in insolvencies of +12% in 2025 before a fall of -4% in 2026. Germany will see a rise of +4% before a fall of -4% in 2026. In France and the UK, insolvencies are likely to moderate slightly from very high levels (-6% in 2025 for both and -3% and -4% respectively in 2026), while Italy will see levels continue to rise (+4% in 2025 and +3% in 2026). In China, business insolvencies will increase from low levels (+5% and +6% in 2025 and 2026 respectively).



VAKSMAN / Adobe Stock

Globally major insolvencies (firms with an annual turnover exceeding €50mn)¹¹ hit a new high in Q3 2024 (127 cases), surpassing the pre-pandemic average level and raising the risk of a domino effect of insolvencies in these firms' supply chains. Year-to-date, major insolvencies increased by +26% year-on-year for the first three quarters of 2024 (344 cases). Western Europe leads the global count with 195 cases, a reflection of the region's current economic instability, followed by Asia-Pacific (67 cases) and North America (66 cases). However, the US remains at the forefront when it comes to the largest insolvencies, accounting for nine out of the 20 largest insolvencies worldwide over the first three quarters of 2024, ahead of Western Europe (5) and China (5).

*"Many companies have faced higher interest expenses, inflationary pressures, and macro- and microeconomic headwinds that have impacted their business and resulted in a struggle to service their debt load," says **Dan Holloway, Head of Global Management Liability Commercial at Allianz Commercial.** "The phasing out of government support schemes post-pandemic, coupled with higher borrowing costs, has left some sectors particularly exposed, including real estate, construction, hospitality, tourism, and businesses in 'consumer discretionary', or non-essential purchases."*



Lubomir / Adobe Stock

Medium-sized businesses feel the squeeze around the world

Privately owned midcorp companies are more vulnerable to the liquidity squeeze than larger publicly traded companies, particularly midcorp companies in the vulnerable consumer discretionary sector of the economy that might find it challenging to access credit. Midcorp businesses have less margin to weather economic headwinds and those seeking loans, or seeking to refinance loans, are facing financing terms far less favorable than in prior years. Trends towards cutting interest rates in many countries around the world will ease some pressure, but any further reductions are expected to be gradual.

These pressures are all contributing to a growing interest in D&O insurance for midcorps, says **Vanessa Maxwell, Chief Underwriting Officer at Allianz Commercial.** *"Although some midcorps might believe they are 'not big enough' for D&O cover, this is not necessarily true. Lawsuits are increasingly costly, and for a smaller business, litigation can be a huge financial burden. Given that D&Os of smaller, private companies are closely involved in business decisions, the personal impact of litigation can be significant if they lack insurance protection, and in a bankruptcy scenario, executives might be held liable at just the point when the company is unable to indemnify them."*

With more than \$1trn commercial real estate (CRE) loans due to mature in the next couple of years in the US alone¹², this sector is high on the watch list for insurers. Changing working practices have led to a diminished need for office space, which is impacting companies and banks with exposure to CRE. *“As well as office space, we’re keeping a close eye on bricks-and-mortar retail, as the digital shopping trend continues to negatively impact the sector,”* adds **Holloway**.

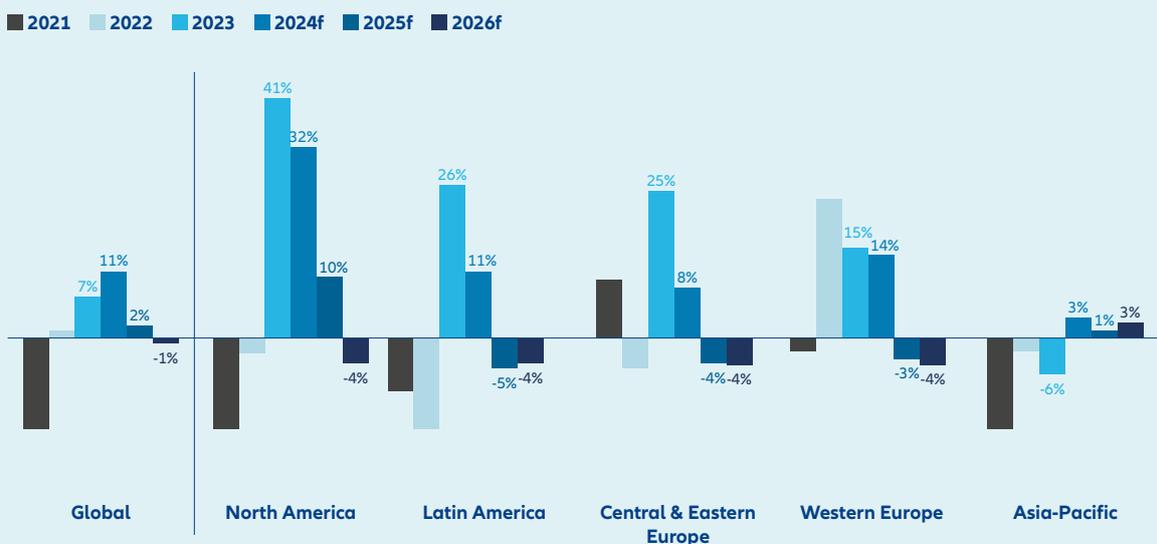
D&O risk exposures are heightened leading up to, throughout, and even following bankruptcy proceedings, as lenders can bring claims against D&Os to recover funds they might have lost out on, explains **David Ackerman, Global Practice Leader, Financial Lines Claims (Commercial Management Liability and Financial Institutions), at Allianz Commercial**. Additionally, there is exposure from shareholders who can lose some or even all of their investment value in a company if it goes bankrupt. They can allege breach of fiduciary duty, such as a failure to prepare adequately for or disclose the challenges a business was facing.

The number of claims against D&O policies in Germany increased by 7% in 2023, according to the insurance association GDV, with an increase in insolvencies contributing to this claims hike. A 25% uptick in German corporate insolvencies in the first half of 2024 indicates this trend is likely to continue¹³.

“At Allianz Commercial, we have seen claims from creditors and investors alleging breach of duty and we anticipate more, given the continued rise in bankruptcy filings,” says **Ackerman**. *“What will distinguish one company from another is the diligence they have exercised as they strategized to account for rising interest expenses, the steps they have taken to weather the economic pressures on their business, and the communication they have had with shareholders, lenders, and other key stakeholders.”*

Given that rising bankruptcies usually lead to a rise in D&O claims, **Ackerman** says businesses need to be mindful of their own responses to the changing workplace, the actions of banks and regulators, and the potential after-effects of major elections: *“We are operating in a rapidly changing world, economically, politically, and socially. We need to remain watchful.”*

Global and regional insolvency indices, yearly change in %



Source: Allianz Research, Global Insolvency Outlook: The ebb and flow of the insolvency wave

4. Litigation funding: pros and cons

The involvement of third-party finance providers in litigation is hailed by some as widening access to justice, but this growing asset class is not without controversy.

Third-party litigation funding (TPLF) allows investors to finance lawsuits in return for a percentage of the proceeds if they are successful. It has developed from its roots in Australia in the 1990s to a niche but multi-billion-dollar industry, with an estimated \$15.2bn in assets under management and 39 active funders in the US alone¹⁴.

Globally, the litigation funding industry is projected to grow rapidly by an average 8.7% CAGR between 2020 and 2028¹⁵. The UK is the largest TPLF market in Europe, with litigation funders' assets increasing more than tenfold in value over the decade to 2022¹⁶. The Netherlands and Germany also have mature markets, which are expanding. In Australia, the litigation funding industry showed a CAGR of 9.6% from 2019 to 2024, to reach an estimated revenue of almost AU\$200mn¹⁷.

With class actions proliferating and social inflation driving up liability claims generally, TPLF is a growing exposure for public companies.

TPLF can also be a divisive issue, says **Dan Holloway, Head of Global Management Liability Commercial at Allianz Commercial**. *"It can really benefit minority shareholders that don't have the financial means to bring a claim against a corporate with deep pockets, helping to redress the balance in legal proceedings or provide a route to justice that allows plaintiffs to make a claim they might not otherwise get off the ground."*

"But from a D&O point of view, litigation funding is likely to boost the number of investor claims, increase the severity of them, and result in higher settlements or damages, with funders taking a big slice of the cake."



Litigation funding is likely to boost the number of investor claims, increase the severity of them, and result in higher settlements or damages

D&Os will face increasing scrutiny by third parties ready to jump on potential cases and fund them, adds **Holloway**: *“Even if the case doesn’t have legs, directors still have to defend it.”*

With litigation funders having a vested interest in outcomes, they are potentially less likely to push for an early settlement a plaintiff might have found acceptable, prolonging proceedings, notes **Holloway**: *“Claims are likely to become more complex because of funders’ aggressive litigation strategies and the experts they can afford to hire. Plaintiffs with little to lose financially could also be tempted to make baseless claims.”*

In many countries across the European Union, the number of class actions could rise following the implementation of the Representative Actions Directive (RAD), which aims to facilitate collective proceedings for consumers. *“In parts of Europe, we are beginning to see the impact of consumer class actions on investor class actions,”* says **Vanessa Maxwell, Chief Underwriting Officer at Allianz Commercial**. *“If a consumer class action is successful and results in reputational damage or a negative financial impact on a company it can embolden litigation funders to then pursue an investor class action.”*

Detractors lobby for reform

The US Chamber of Commerce Institute for Legal Reform argued in a recent report that TPLF has become a “dominant feature of the civil justice system in the United States and abroad” and “operates largely in secret without any meaningful oversight, distinguishing it from virtually every other industry.”¹⁸ The institute also previously alleged foreign-sourced money for litigation poses a national security risk¹⁹.

The legislative landscape for TPLF in the US is evolving, with five states requiring some disclosure and legislation pending in around 10 others.

Proponents of TPLF point to its role in facilitating class actions serving the wider public interest, such as the British Post Office scandal or the Dieselgate emissions scandal.

“It seems likely we will see further regulation around TPLF, although it’s important we don’t lose sight of the benefits it can legitimately offer in widening access to collective redress,” **Maxwell** concludes.





Market dynamics: the state of the D&O insurance sector

Allianz Commercial D&O leaders around the world highlight some of the particular trends relative to their local insurance markets and consider the outlook for 2025.

Global

Globally, we continued to see the pricing of D&O soften during 2024, with some regions suffering more marked pricing reductions than others. Wholesale carriers in the London market have increased the competition in overseas markets.

The current trend is that pricing has come under scrutiny ahead of specific terms and conditions. We have seen retention / deductibles reduce but, overall, not to the historic levels seen in the last soft market.

Given the competitive landscape within the D&O market, we have seen companies replace AB limits with ABC limits (where these dropped to AB only in the hard market), and new additional layers purchased at the top of the tower.

Claims frequency globally over the last few years is down compared to levels in the latter stages of the previous

soft market. The number of securities class action filings in 2024 has increased and is projected to finish the year greater than the number filed in 2023, so this trend is showing signs of reversing in the US D&O market. Due to the long-tail nature of D&O, the global D&O market is witnessing historic claims development, with some of it aligning with expectations and other parts developing more adversely than anticipated.

The D&O market will unlikely see a reversal of the pricing trend (i.e. price decreases becoming price increases), but we do expect the rate of price decreases to slow down.

Geopolitical factors will have an impact on stock markets globally and will likely shape the appetite for M&A deals and IPOs. Should M&A and IPO activity resurge, there would be new D&O risks placed in the market that will help grow the premium pool from 2024.

Vanessa Maxwell, Chief Underwriting Officer at Allianz Commercial



Asia

We have experienced a drop in premium rates overall in Asia during 2024. There are segments of the market that are experiencing higher reductions than others, for example, D&O risks with US securities exposure compared to those without US securities exposure. This is fueled by high competition from an abundance of capacity globally, with a reduced number of filings of US securities class actions compared to 2019/2020 levels. The Asian market is very price-driven, so terms and conditions are relatively stable. We also see London and Bermuda markets competing very actively for Asia-domiciled risks.

With challenging economic environments in many Asian countries, some clients are reducing their limits purchased to save costs. We have seen a reduction in claims frequency, with

fewer notifications year on year, particularly for US securities claims. However, we have experienced higher severity for the claims being resolved.

In summary, we foresee the overall market size for D&O in 2025 will continue to retract, driven by rate erosion, smaller limits being purchased by customers, and very limited new opportunities given slow capital market activities. The soft market is likely to continue, with ample capacity for all risk segments. This will create further pressure on rate adequacy and policy terms and conditions.

Danielle An, Regional Practice Leader, Management Liability Commercial, Asia, at Allianz Commercial



UK

Following the significant premium rate reductions of 2022 and 2023, insureds continued to benefit from rate reductions throughout 2024. Additionally, there has been an increase in long-term agreements along with other policy terms expanding, reflective of the softening landscape.

Insureds are exploring adding additional capacity on their D&O programs, although on average most insureds are renewing with their same limits. We are seeing some insureds that decided to self-insure Side B or Side C in the hard market reconsidering adding these coverages back slowly. Take-up on ancillary lines such as crime, Pension Trustee Liability (PTL) and Employment Practices Liability (EPL) has also been slow but insureds are beginning to ask for more options on these lines of coverage.

Securities class action activity is roughly consistent with 2023 although the size of settlements and defence costs are up significantly. Regulatory risk continues to be a

concern broadly as more regulation within the UK, EU, and US is impacting insureds operating across these regions. In the UK, enforcement activity by the Financial Conduct Authority (FCA) remains a substantial exposure for companies and D&Os. The costs associated with investigations and non-compliance are also rising.

The broader Financial Lines carrier premiums were roughly £5bn in 2023, contracting YoY by 6% according to the International Underwriting Association²⁰. This was mainly due to D&O being down -16.9% and financial institutions business down -13.6%. Given the premium decreases and minimal IPO and M&A activity creating new opportunities in the D&O market, premium growth in 2025 may not improve unless one or more of those factors change.

Hannah Tindal, Head of Management Liability Commercial, Regional Unit London, at Allianz Commercial



France and South Africa*

In France we saw a decrease in the pricing for January 1, 2024 renewals. During 2024, we have also seen more activity in the market with new players, and higher competition.

Our clients are all facing significant cost pressures, and insurance is one of the areas where many have been looking to reduce spending.

In South Africa, premium rates are slowly falling, but not to the same extent as we have seen in Europe.

Regarding insurance-buying behavior, on the D&O side, and especially with large corporations, we do not see any major changes. For US-listed exposed accounts, we have seen some requests to involve the captive in order to cover the C Side.

But as of today, none of our French or South African accounts have bound on that basis.

Claims activity remains unchanged, but we have seen some bankruptcy cases coming in on the large corporation side, which we have not seen for some time.

The large corporation segment is a relatively mature market in France, and the space for growth is not as significant as with midcorps. A lot of midcorp entities have not purchased any D&O solutions yet.

Pauline Vacher, Head of Financial Lines and Cyber, France and South Africa, at Allianz Commercial

** This reflects the Allianz Commercial regional set-up.*



Germany

On the premium side, the situation has eased and we see greater premium pressure in the excess layers. In the primary segment, customers continue to place emphasis on experience, reliability, claims expertise, international insurance programs, and service. Many customers and insurers conclude long-term agreements in order to have planning security for both sides.

We also see coverage extensions being reintroduced, including longer extended reporting periods and reinstatements.

There is sufficient capacity in the market again and a slight increase in competition between insurance companies. Competition among large brokers has also increased.

The rejection of premium increases and the demand for savings are the result of many customers running cost-cutting programs. Alternatively, premium savings are often invested by customers in additional excess capacities.

Claims activity in Germany and Switzerland is mainly insolvency-driven. This can arise from accusations of delayed insolvency or allegations that management made payments even though the company was already insolvent. The latter is less of a risk for managers, although immense sums can be claimed retrospectively.

More and more D&O claims are being reported following a cyber-attack, where management is alleged to have failed to act with sufficient care before, during, or after the incident. We could see the same trend with the introduction of AI.

We also deal with many US-related cases. If a class action is initiated, the process becomes expensive because of high defence costs. Price increases in Europe mean this is no longer just a US issue.

We expect the German D&O market to remain stable in size in 2025.

Alfred Mora, Chief Underwriter Commercial Germany, Financial Lines, Germany / Switzerland, at Allianz Commercial



US

Generally, the financial lines commercial business continues to be relatively soft. Rate decreases continue with respect to certain types of accounts, like IPOs, SPACs, and de-SPACs. However, on the public company side, some of the more drastic rate decreases experienced at the start of 2024 and previously are beginning to moderate. On both private and public company accounts, carriers are working towards flat rates. Retention rates remain high as carriers look to keep their portfolios.

Broadly, we have seen little change in insurance buying behavior, although some insureds have purchased additional limits with the cost savings obtained through the rate decreases.

Financial lines carriers are seeing an increase in the frequency and severity of claims. The likelihood of an insured being sued has increased for the first time since 2019. The number of private company EPL (employment

practices liability) claims moderately increased due to the Great Resignation, layoffs in certain sectors, and the focus on returning to the office. As a result of inflation, the average settlement for public companies was \$37mn in 2023, which is a substantial increase over the 10-year average of \$29.6mn. Similarly, the 2023 median settlement increased to \$13mn compared to a 10-year average of \$9.5mn²¹.

Public company renewals will likely see flat to slightly positive rate, and private companies will likely experience measured rate and SIR (self-insured retention) increases in challenging sectors. In 2025 we would expect more opportunities for carriers to write true new business if the overall economy and M&A activity picks up.

Eric Wedin, Regional Head Financial Institutions and Commercial – North America, at Allianz Commercial

D&O insurance structure

The structure of a D&O insurance policy depends on which of three insuring agreements are purchased (ABC policies are generally chosen, as these are standard form policies for publicly listed companies; for private or non-profit companies, only AB policies would be useful).

Cover	Description	Who is the insured?	What is at risk?
Side A	Protects assets of individual directors and officers for claims where the company is not legally or financially able to fund indemnification	Individual officer	Their personal assets
Side B	Reimburses public or private company to the extent that it grants indemnification and advances legal fees on behalf of directors/officers	Company	Its corporate assets
Side C	Extends cover for public company (the entity, not individuals) for securities claims only	Company	Its corporate assets

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About Allianz Commercial

Allianz Commercial is the center of expertise and global line of Allianz Group for insuring mid-sized businesses, large enterprises and specialist risks. Among our customers are the world's largest consumer brands, financial institutions and industry players, the global aviation and shipping industry as well as family-owned and medium enterprises which are the backbone of the economy. We also cover unique risks such as offshore wind parks, infrastructure projects or film productions.

Powered by the employees, financial strength, and network of the world's #1 insurance brand, as ranked by Interbrand, we work together to help our customers prepare for what's ahead: They trust us to provide a wide range of traditional and alternative risk transfer solutions, outstanding risk consulting and multinational services as well as seamless claims handling.

The trade name Allianz Commercial brings together the large corporate insurance business of Allianz Global Corporate & Specialty (AGCS) and the commercial insurance business of national Allianz Property & Casualty entities serving mid-sized companies. We are present in over 200 countries and territories either through our own teams or the Allianz Group network and partners. In 2023, the integrated business of Allianz Commercial generated around €18 billion in gross premium globally.

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