DIRECTORS' AND OFFICERS' INSURANCE

D&O GLOBAL STATE OF THE MARKET REPORT

Gallagher SPECIALTY

ABOUT GALLAGHER **SPECIALTY**

Gallagher is one of the world's leading insurance brokerage, risk management, and consulting firms.

Based in London, Gallagher Specialty works with large multinationals and insurance brokers worldwide, providing bespoke programme design, risk placement solutions, and consulting support across a range of industries.

Within our London-based Management Liability team at Gallagher, we have extensive experience working with many varied sectors, as well as helping companies to navigate potential challenges in the market. We have worked with many private and public companies with market capitalisations ranging from a few hundred million for early start-ups right up to tens of billions for later-stage growth companies.

Expertise. Ethics. Excellence. It's The Gallagher Way.

CONTENTS

INTRODUCTION	03
TERRITORY UPDATES	04
ASIA	05
AUSTRALIA	06-07
CANADA	08-09
CENTRAL AND EASTERN EUROPE	10
NORDICS	11
MIDDLE EAST	12
UK AND WESTERN EUROPE	13
UNITED STATES	14-16
SOUTH AFRICA	17
CONCLUSION	18
CASE STUDIES	19
WHY GALLAGHER FOR D&O	20
BUSINESS CONTACTS	21

INTRODUCTION

In the ever-evolving landscape of Directors & Officers (D&O) insurance, global markets have experienced varied trends and shifts in 2023, setting the stage for further unique challenges and opportunities in 2024.

Each region in this report demonstrates distinct market dynamics, influenced by factors such as pricing disparities, regulatory landscapes, emerging risks, and geopolitical tensions.

This report highlights key developments, trends, and challenges observed in 2023 and offers insights into the outlook for 2024. From pricing fluctuations to capacity adjustments, and from emerging risks to regulatory shifts, we have offered our perspective on the state of the D&O insurance market for each territory.

TERRITORY **UPDATES**

ASIA

Asia presents a diverse landscape in the Directors & Officers (D&O) market, with pricing variations across different countries.

In 2023, some countries witnessed increases of up to 5%, while others experienced decreases of up to 10%. Overall, pricing in Asia was slightly down. Capacity remained relatively stable, with some insurers scaling back or exiting the market, while new entrants emerged. There was increased insurer appetite and capacity for North American-listed companies, leading to improved pricing and reduced retentions. Notably, there's a gradual shift towards A-Side only cover for more complex industries and North American-listed risks in Asia, albeit lagging behind other territories such as the USA and Bermuda.

A recent poll identified the top five risks perceived by directors and officers in Asia, as being cyber attack at 60%; regulatory breach also at 60%; data loss at 59%; Health & Safety prosecution at 58%; and bribery and corruption at 57%.[1]

Notably absent from the above concerns are climate change and other environmental, social, and governance (ESG) issues. While governments in the US, Europe, UK, and Australia have intensified pressure on the private sector regarding ESG, Asia has yet to witness a similar movement, especially considering the uptick of greenwashing — the suggestion that a business has made misleading or false claims when describing the positive environmental impact of its products, services, or brand.

Unlike more mature re-insurance markets, Asia historically has not experienced severe fluctuations in the soft/hard market underwriting cycles. For instance, during the global pandemic, Asia was less affected by D&O pricing swings compared to the UK and USA markets.

MGAs operating in Asia hold a smaller market share compared to the UK and USA, particularly in the D&O segment, resulting in less influence on market dynamics and fewer volatile pricing changes seen in other regions.

Asia, in general, is recognised as one of the major technology centres in the world, with continued growth expected sectors such as fintech, AI, and digital assets. OpenAI, Generative Pre-trained Transformer (GPT), is a large language model that adopts machine learning, a subfield of artificial intelligence (AI), which is trained to generate text and is just one of the fast-evolving exposures in which D&O may face claims. Such claims could include, breach of fiduciary duty, for instance, failing to take reasonable steps to protect the company's financial information. Both Hong Kong and Singapore are regarded as mature and well-regulated markets for digital assets, positioning them as leaders in this segment, particularly for exchanges and custodians seeking transparency from regulators.

Geopolitical risks, especially tensions between China and Taiwan, pose challenges for underwriters in Asia. Additionally, financial difficulties stemming from high inflation, rising interest rates, and supply chain issues may lead to an increase in corporate insolvencies across sectors, exposing management shortcomings, as evidenced by recent events in Hong Kong.

Overall, while Asia's D&O market exhibits unique characteristics and challenges, including technological advancements and geopolitical risks, it remains resilient amidst global uncertainties, with opportunities for growth and adaptation in the evolving landscape.

[1] Director's & Officers Liability Survey 2023

AUSTRALIA

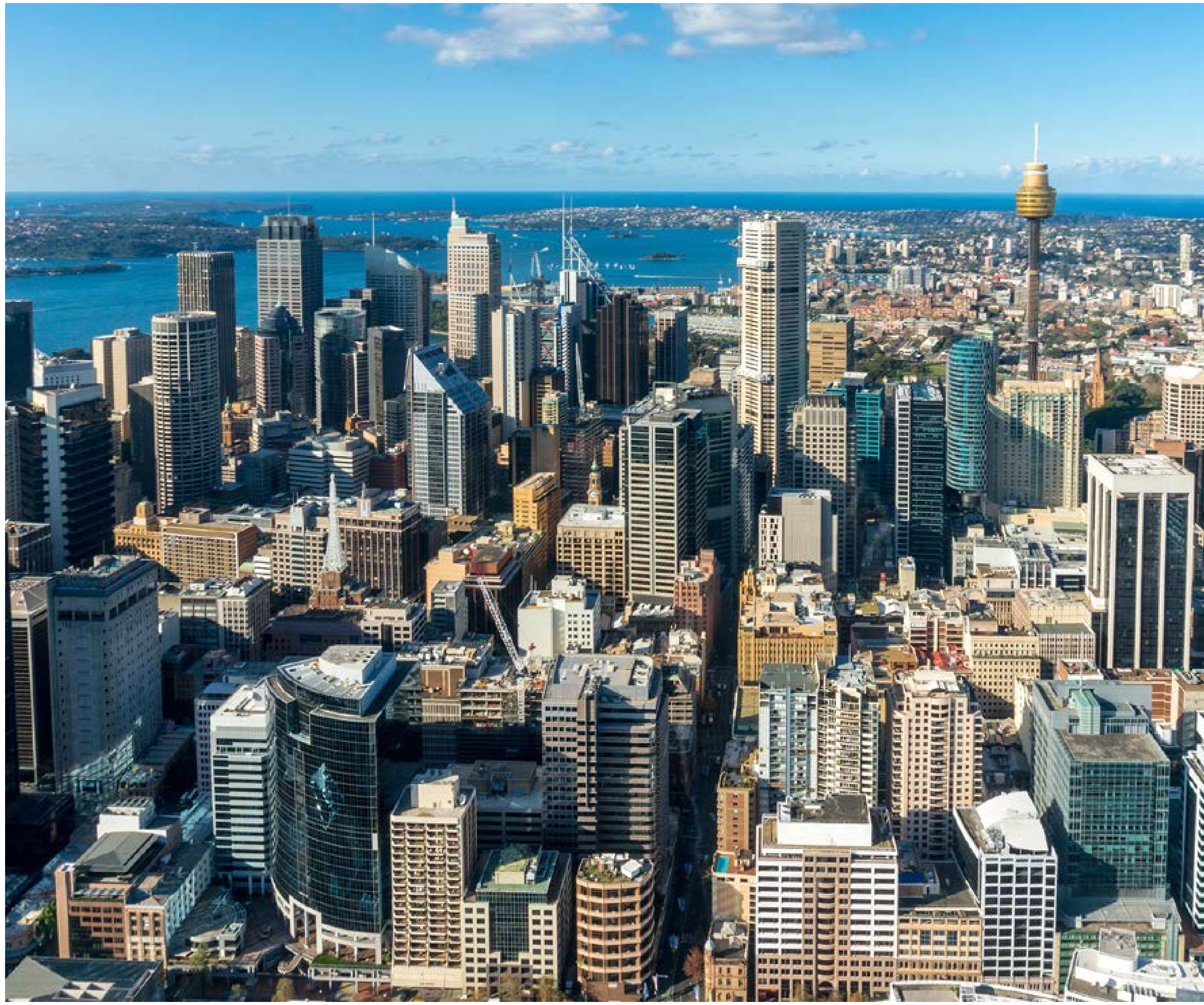
Australia's D&O market experienced increased competition in the latter half of 2023. Insurers vied for opportunities to participate in the insurance programmes of well-managed organisations, leading to stabilisation in D&O premiums. While premiums saw little movement, they did not revert to the levels of 2018/2019.

Several factors contribute to ongoing market changes. The London D&O market has become more competitive, prompting London insurers to target Australian mid-market and large private companies. This diversification strategy aims to reduce reliance on larger listed organisations, historically the primary focus of London insurers.

Additionally, decreased M&A and limited IPO activity have constrained local and global insurers' growth ambitions, compelling them to seek new growth opportunities. Global insurers such as Everest and Markel have established local offices in Australia, alongside underwriting agencies backed by Lloyd's and London capacity. The competitive landscape, fuelled by London insurers and new local entrants, has led Australian insurers to adjust their rating criteria to compete and retain market share.

Underwriters are reassessing premium adequacy and risk appetite. Whilst a small number of insurers remain cautious about company securities risks (Side C), there is now more appetite for primary or low attachment layers that attract heavier premiums than higher excess layers, even where these lower layers include Side C cover. The relative cost of layers in an insurance programme are determined by the increased limit factors (ILFs) charged by insurers. These ILFs are being tested by brokers — the significant ILF percentages required by insurers during the hard market, particularly on the lower excess layers, are now being challenged by new participants keen to grow their businesses.

A more favourable market means we are seeing clients adjust their buying habits. Companies who elected to remove or reduce Side C when it was either unavailable or commercially unattractive are, again, seeking a level of Side C in their renewal programmes. The current environment is also an ideal time for brokers and organisations to buy back limits and sub-limits; delete or amend unfavourable exclusions added during the hard market; enhance coverage; or seek to reduce retention levels imposed in the last 3–5 years.



There is also a renewed focus on optimising the placement of programmes with the most favourable insurers, with security, underwriter capability, ownership, and claims-paying history being key considerations. Additionally, the underwriting track record is highlighted, particularly based on the insurer's behaviour during the recent hard market. D&O programmes are being rated on their merit as opposed to on a portfolio basis, and renewal presentations to current and alternative insurers are important to detail the risk controls in place.

Despite increased competition, macroeconomic uncertainties such as inflationary pressures, market volatility, rising interest rates, supply chain challenges, the state of the economy, and continuing cyber attacks on local organisations contribute to a sense of unease among insurers. In the current economic environment, insurers remain cautious about organisations' financial positions, and it is not uncommon during insurer presentations for underwriters to inquire about the debt arrangements of the organisation.

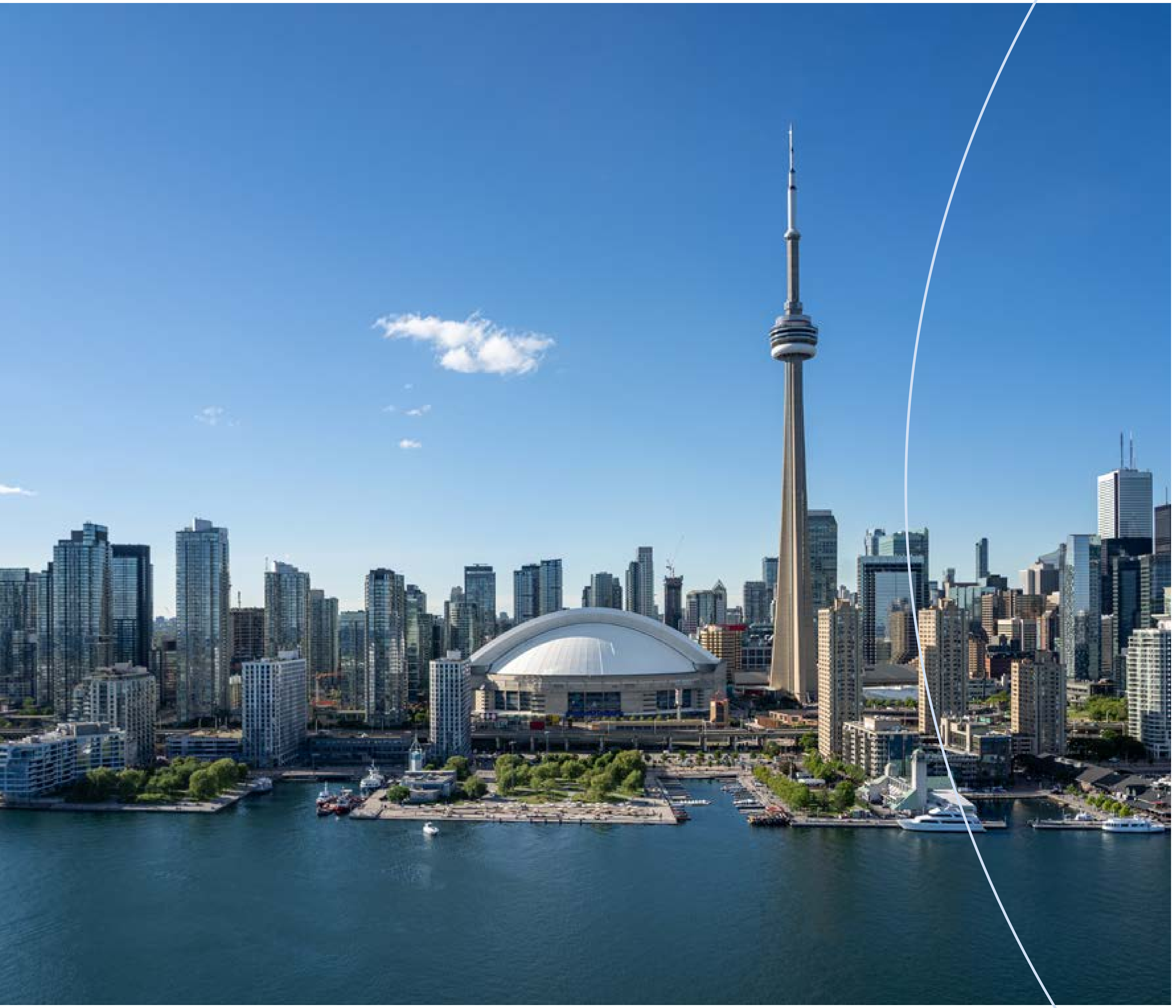
Following recent cyber class actions against Australian companies, cyber risks are a focal point, with underwriters scrutinising board involvement in cyber resilience and adherence to changing regulatory environments. Certain risks and industry sectors, including crypto, medicinal cannabis, construction, coal, and some retail sectors, face challenges in obtaining coverage. Early renewal discussions with brokers are crucial for these sectors to develop targeted marketing strategies.

ESG risks, including greenwashing, green-hushing and social washing risks are focus points for underwriters during client/insurer meetings. In March 2023, the ACCC released the results of an internet sweep they had undertaken to identify misleading environmental and sustainability marketing claims. The sweep, which reviewed 247 businesses, found that 57% were identified as having made concerning claims about their environmental credentials. In releasing its enforcement priorities for 2024, ASIC has noted that misleading conduct in relation to sustainable finance including greenwashing, which was an existing priority from 2023 remains a focus for 2024.[2]

Local regulators are active, focusing not only on entities, but also on directors and officers such as CFO's, company secretaries, and general counsels. Access to expert legal representation is a top priority to navigate examinations, notices to produce, attendance at official investigations, and defence costs for class actions or other claims.

In summary, clients are benefitting from renewed options and positive conversations with insurers at renewal, marking a shift from previous years' market conditions.

[2] https://www.accc.gov.au/media-release/accc-greenwashing-internet-sweep-unearths-widespread-concerning-claims



CANADA

The Canadian D&O market experienced accelerated rate decreases in the latter half of 2023, laying the groundwork for a more competitive landscape in 2024. Early 2023 saw rate decreases gaining momentum, particularly on towers that had previously experienced significant rate increases. This trend persisted throughout 2023.

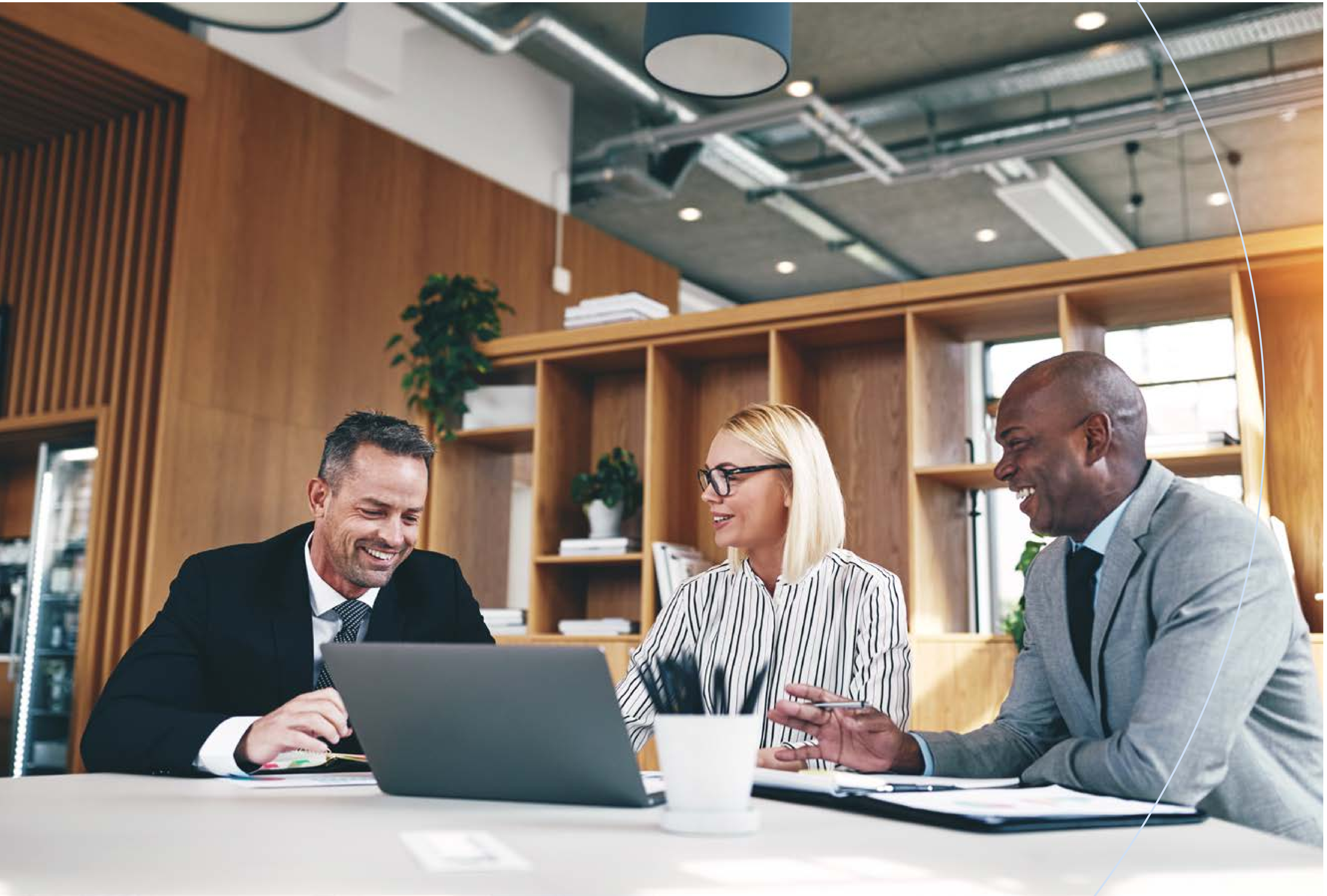
Insurers have largely repaired their books and reported significantly improved combined ratios in D&O. As a result, many insurers are focusing on client retention while also setting ambitious new business targets. This presents an opportune moment for clients, especially in the publicly-traded space, where rate increases were most pronounced during the hard market.

The entry of new market players, alongside established D&O insurers adopting a more aggressive stance on D&O programmes, has influenced pricing dynamics.

With regard to account retention, incumbent markets are bolstering efforts to retain existing relationships amidst competition from new entrants. With ample capacity available, established insurers are pursuing aggressive new business strategies, ultimately benefiting insureds. Service quality remains crucial, with underwriters demonstrating increased responsiveness and a willingness to craft innovative underwriting solutions for complex accounts.

For public company D&O, competition remains fierce on excess layers, leading to reduced excess limit factors and potential overall savings for clients on public D&O towers. While retentions have been adjusted, indications of underwriting discipline are emerging, with tighter terms prevailing in most cases.

The rise in security class actions on a global scale often impacts the Canadian market, potentially presenting a hurdle for emerging players with limited market share. Historically, sectors such as IPOs, de-SPACs, cannabis, psychedelics, FinTech, oil sands, coal, pharmaceuticals, and biotech have posed significant challenges in attracting capacity. While these sectors are expected to continue presenting obstacles, emerging litigation and developments originating from ESG initiatives and generative AI warrant close attention.



Private company D&O policy forms provide broad entity coverage; however, insurers often face more frequent and costly claims than anticipated, particularly when compared to average premiums. Claims related to bankruptcies, mergers and acquisitions, and employment practices tend to be more costly. Bankruptcies are trending higher, as cheap credit has largely dried up.

Defence cost inflation remains a significant concern for insurers, even in cases of successful claim dismissal. The market is witnessing a return to automatic renewals or 3-year deals on smaller privately held accounts, albeit without the broad terms that characterised the hard market. When considering rate expectations, private D&O did not experience the significant rate increases seen in public coverage. Conversely, we anticipate that rates will not decrease significantly either. The market has achieved some stability, and we expect a relatively stagnant market in 2024. The Canadian litigation environment, while not as severe as the USA, has seen a decline in class actions over the past two years. In the last 12 months, it has become increasingly clear that public companies are less likely to face large COVID-19-related claims, which contributed to the recent price drop. However, private D&O insurers remain cautious about litigation stemming from bankruptcies in the current economic climate.

As the market moves through 2024, it must strike a balance to avoid over-correction. Significant rate reductions and intense competition could undermine profitability, necessitating future rate hikes. Emerging litigation risks from ESG and generative AI, coupled with economic challenges, may lead insurers without underwriting to face costlier claims than anticipated.

CENTRAL AND EASTERN EUROPE

Despite the ongoing economic uncertainty in the CEE region and the failure of expected GDP growth in many countries, positive developments are emerging in the D&O market.

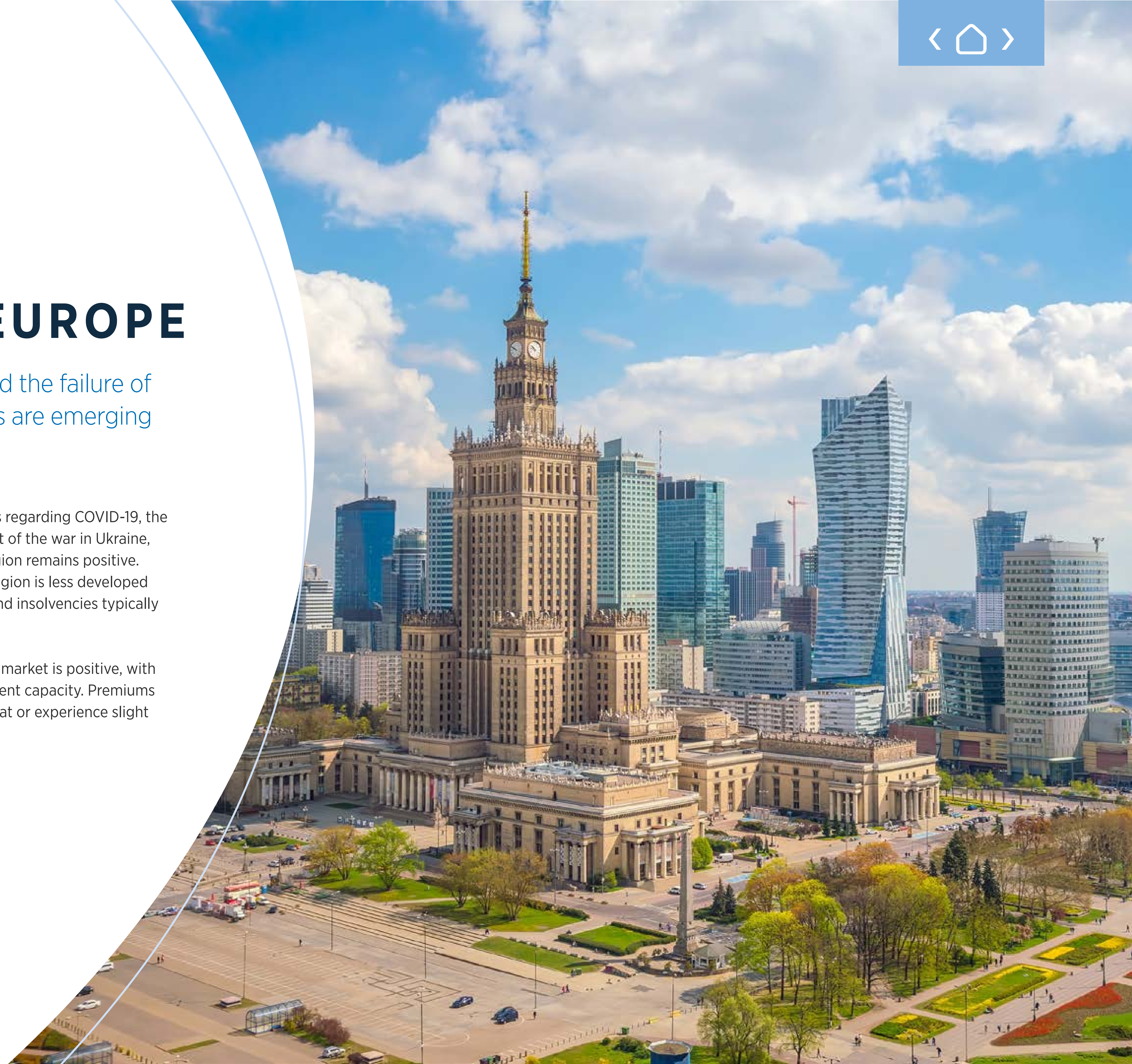
Following years of significant market hardening for both SMEs and large clients, characterised by continuous premium increases and limited capacity, the market began to stabilise in early 2023, with a turnaround in rates observed in the latter half of the year.

Competition for business remains relatively high, particularly for SME business and excess layers. The local market often offers the most favourable solutions in terms of capacity and pricing for the majority of D&O quotes, including large complex risks.

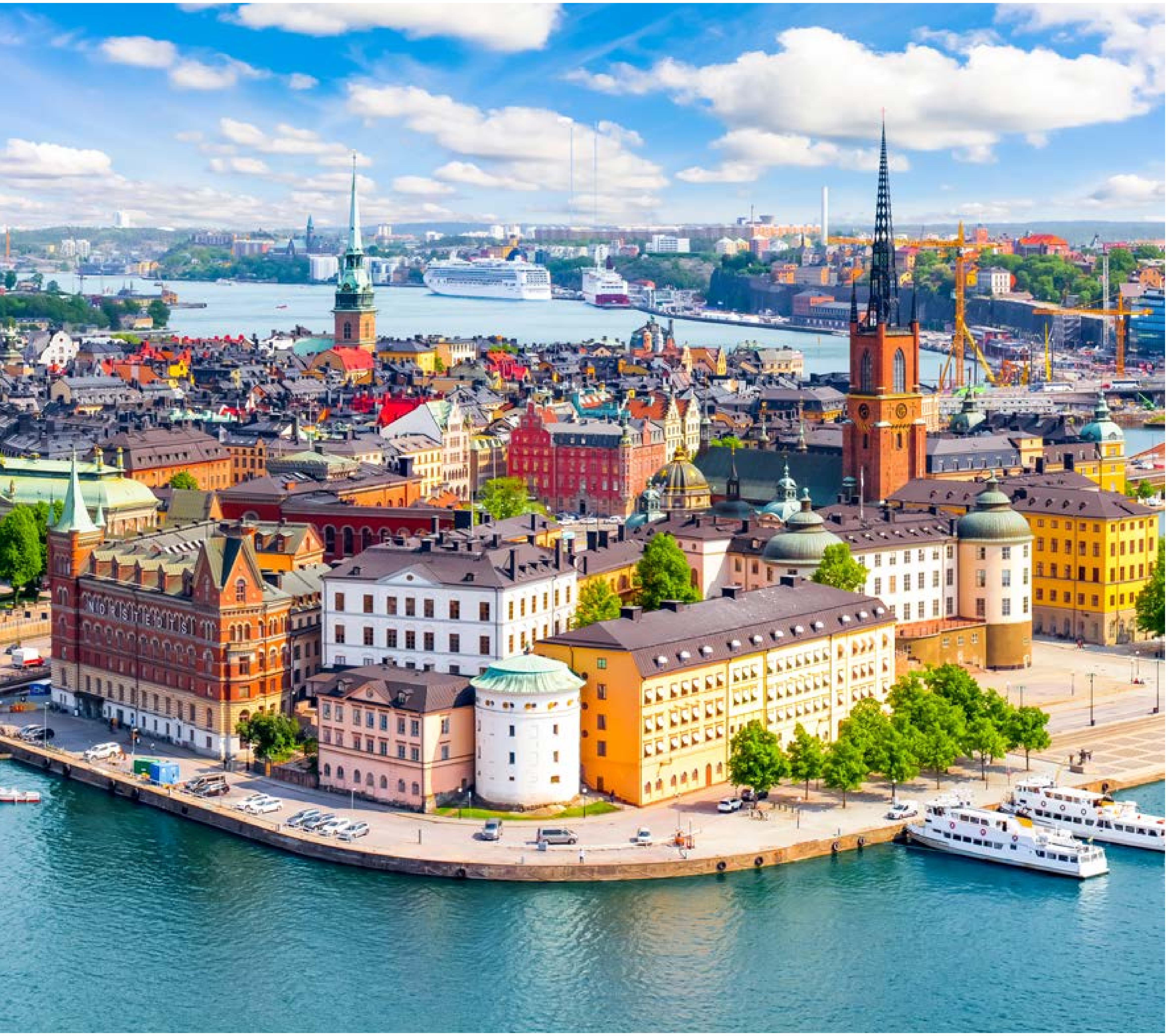
While some renewals are being negotiated with discounts, premiums still exceed pre-pandemic levels. New capacity from insurers/MGAs has entered the D&O market, demonstrating a strong appetite for SME and excess layers, although obtaining primary quotes for large exposed risks and financial institutions (FI) remains challenging, with small rate increases anticipated in some renewal cases.

Despite concerns raised by insurers regarding COVID-19, the energy crisis, and the recent impact of the war in Ukraine, the D&O claims ratio in the CEE region remains positive. The litigation environment in the region is less developed compared to 'Western' countries and insolvencies typically do not result in D&O claims.

Looking ahead, the outlook for the market is positive, with expectations of stability and sufficient capacity. Premiums are projected to remain relatively flat or experience slight decreases in the coming period.



NORDICS



In 2023, intensified competition among insurers was driven by increased D&O capacity provided by both established markets and new MGAs. Reports of declining claims notifications and USA securities class actions, along with stabilising inflation rates, further contributed to a continued positive shift in the market.

During the year, most clients experienced renewals with premium reductions ranging from 5% to 15%. Whilst primary premiums often remained flat or saw minor reductions, rates on excess layers experienced significant declines compared to 2022. Overall, clients now have better negotiating positions and can secure more favourable terms.

Looking into 2024, insurers are expected to closely monitor several emerging exposures affecting D&O. These include:

1. **Economic outlook —** financially distressed companies pose risks of disappointing shareholders, layoffs and insolvencies;
2. **Inflation —** insurers are concerned about its impact on the financial stability of companies and its influence on the cost of claims;
3. **ESG policies —** have gained prominence, prompting insurers to assess how companies are addressing ESG issues and integrating them into their risk management strategies; and
4. **Cyber risk management —** With the rising frequency and severity of cyberthreats, companies will need to implement effective risk mitigation measures.

The D&O outlook for 2024 is positive and we expect increased insurer appetite to offset macroeconomic uncertainties. As the market continues to evolve, proactive risk management strategies will be crucial for directors and officers to navigate emerging challenges effectively.

Crime insurance capacity remained stable in 2023, with only a handful of insurers offering primary coverage. Premiums saw slight increases or remained flat, while retentions remained stable following several years of notable increases. Overall, coverage was typically renewed in line with expiring policies. However, there were instances of limited or excluded coverage, especially concerning extortion (particularly ransomware) and cryptocurrencies. Social engineering fraud cover remains restricted by many insurers, and there was a reduced willingness among insurers to accept broker wordings.

The employment practices liability (EPL) market showed signs of stabilisation in 2022, attributed to reduced uncertainty surrounding COVID-19 claims, vaccine mandates, and return-to-office protocols. Throughout 2023, renewals predominantly remained flat or saw moderate premium increases, with retentions largely unchanged. While only a limited number of insurers are willing to underwrite primary EPL in the Nordics, there has been an influx of new excess insurers. Overall, coverage remains stable, albeit with the introduction of standard biometric information exclusions. Looking into 2024, the outlook for the EPL market remains stable.

MIDDLE EAST

In both emerging and established markets throughout the Middle East, we have witnessed accelerated growth and an increasing sophistication among clients, particularly concerning D&O and management liability. This growth can be largely attributed to foreign investment and expat management seeking protection within a legally uncertain landscape.

Legislative changes across the region have heightened directors' exposure, aiming to individuals accountable for mismanagement. For instance, updated Companies Laws, while varying across countries, now more clearly outline the responsibilities and duties of managers and directors, including specified financial penalties for certain administrative tasks.

Of greater concern is the provision rendering void any agreement by the company to absolve a manager or director of liability, which must be interpreted to include the provision of indemnification, thereby leaving individuals exposed without insurance protection. For instance, under the latest cybercrime laws in the United Arab Emirates, managers or directors can face criminal liability for failing to report a crime when a cyber incident has occurred.

The increased demand for D&O insurance, mandated to be obtained through locally licenced insurers who often act as fronting insurers, has attracted capacity to the region.

This has led to a vibrant regional market primarily comprised of international insurer branches, as well as insurers across Asia, Europe, and London, all exhibiting an appetite for Middle Eastern risks. This heightened appetite followed the pandemic, during which existing capacity withdrew or reduced, leading to increased premiums that enticed insurers to a region that, thus far, has experienced a low frequency of claims.

Post-pandemic, the market swiftly stabilised and softened throughout 2023, remaining favourable to clients for the near future.

UK AND WESTERN EUROPE

Throughout 2023 and into 2024, D&O market conditions have continued to soften, with the entrance of new capacity and with no notable insurer withdrawals.

Risks originating from the UK and continental Europe remain the primary focus of most London insurers' risk appetites, sustaining high levels of competition. As a result, brokers have been able to negotiate premium and retention decreases, occasionally securing larger lines and broader coverage. We anticipate this trend to continue in 2024, albeit with less intensity, now that opportunistic and hard market pricing has been corrected.

Despite the favourable market conditions for D&O purchasers, broader macroeconomic challenges persist for UK and European companies and economies. Notably, there has been a rise in insolvencies and corporate restructures over the past 12 months, leading to an uptick in claims notifications, although substantial insurer payments have yet to materialise. This is expected to evolve into claims in the coming years, potentially altering D&O market dynamics in the medium-term.

Brexit continues to pose challenges for companies and insurers trading within and into the UK, with added restrictions and administrative burdens impacting businesses amidst low growth conditions, labour shortages and disrupted supply chains. Furthermore, anticipated elections in the UK, Portugal, Belgium, Austria, Lithuania, and Croatia during 2024 could further compound political and economic uncertainties for companies to navigate.

Moving into 2024, the IPO market remains largely stagnant in the UK and throughout Europe due to prevailing macroeconomic and geopolitical issues. While signs point to a potential uptick in activity by 2025, uncertainties loom. However, conditions have created M&A opportunities for financially robust companies and private equity firms, particularly in the UK, where companies are often considered undervalued. D&O insurers will be closely monitoring developments in these sectors.

Run-off premiums linked to M&A and insolvencies partly offset the lack of IPO premiums for insurers in 2023.
In the UK some management liability insurers are now offering increased line sizes and ancillary products (such as Employment Practices Liability, Crime and Pension Trustee Liability) to secure preferential lines on D&O placements, diversify their overall proposition. This trend is predicted to continue into 2024, presenting clients with opportunities to broaden coverages, further reduce premiums, and increase programme limits in what remains a buyers' market.

UNITED STATES

In 2023, the public company D&O market saw a shift in favour of buyers, marked by the entry of over 30 new insurers, amidst declining IPO activity. This influx led to aggressive pricing strategies and expansive terms offered to insureds.

As 2024 progresses, most public companies have experienced a second consecutive year of notable rate decreases during renewals. This signals a potential stabilisation of the market, particularly with securities class action filings returning to pre-pandemic levels.

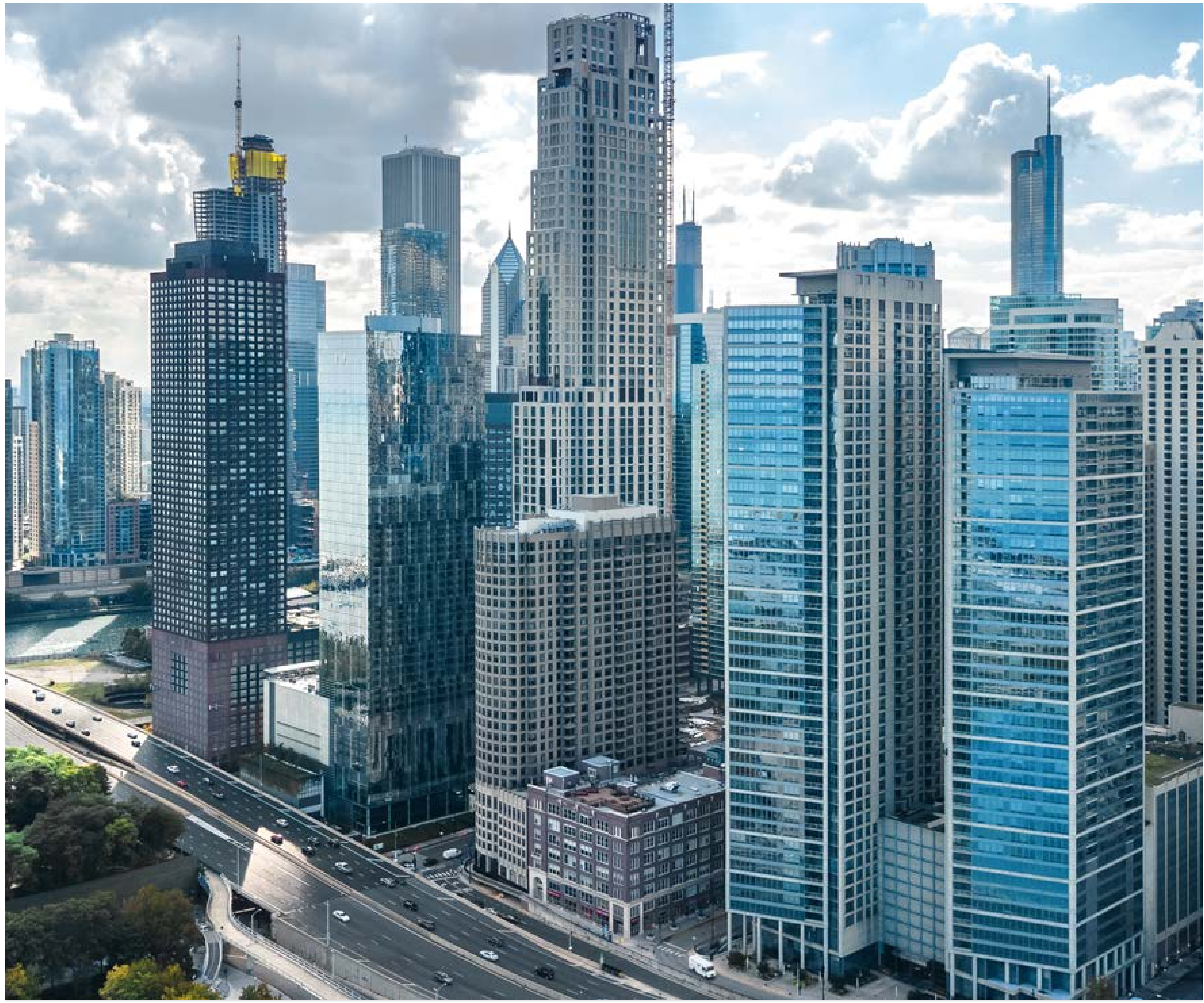
Anticipated increases in deal-making activities could impact securities class actions, as regulatory scrutiny intensifies. Government enforcement actions are gearing up, as regulators bring in new rules, such as the SEC mandatory climate disclosures and the requirement for public companies to report 'material' cybersecurity incident reporting. Regulations such as these could result in more scrutiny and enforcement action for public company directors and officers. To address this issue, insurers in the USA and London are creating an offering to cover entity investigations.

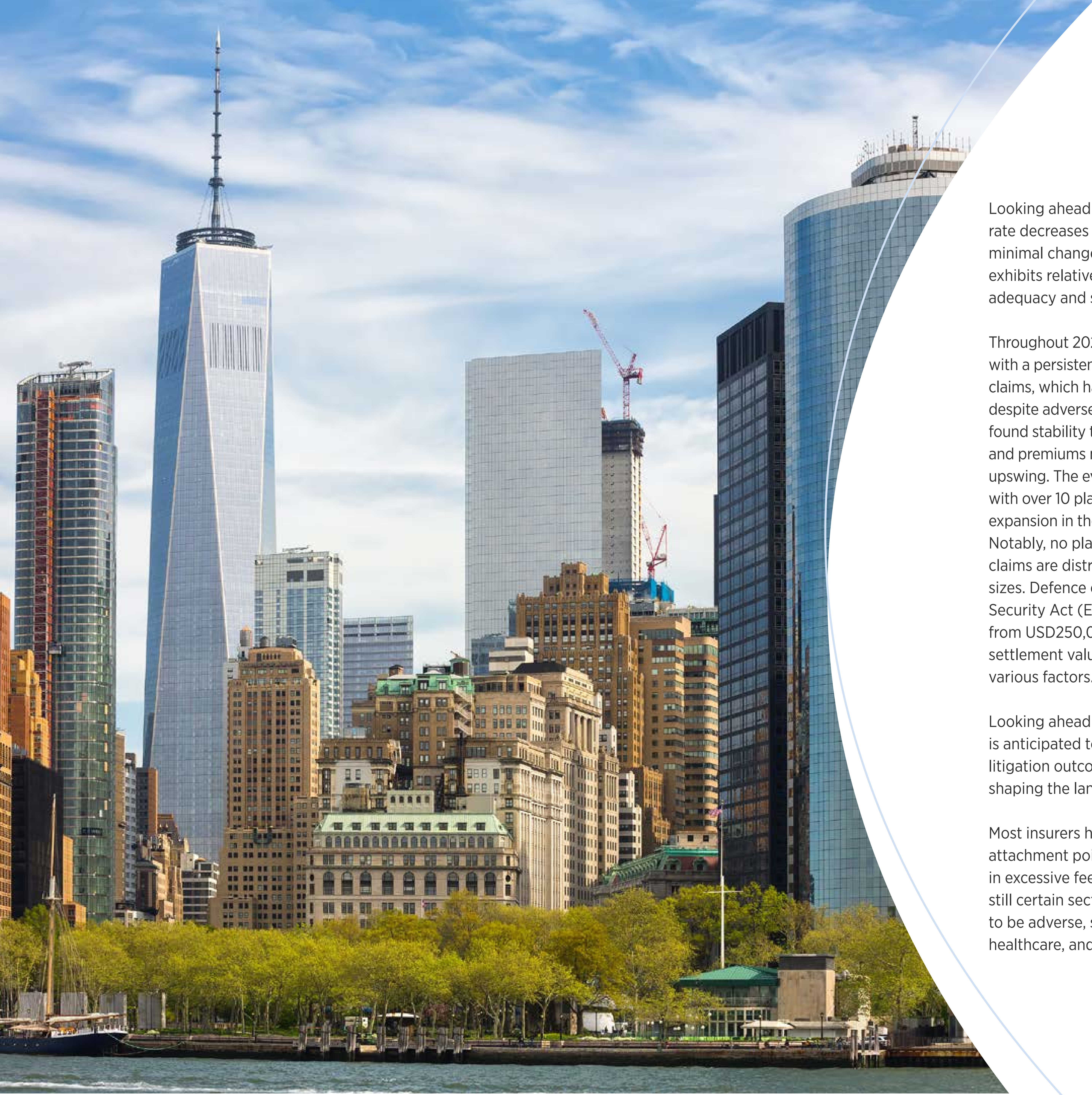
While it is early days, AI is introducing new exposures for D&Os. Evolving regulation and developing legislation in this space puts the onus on senior leaders and managers to ensure appropriate control frameworks are implemented as firms build out how they leverage generative AI.

Despite a slight uptick in federal securities class actions in 2023 compared to the previous year, their severity continues to rise, influencing pricing dynamics in the public company D&O sector. Looking ahead, significant challenges are expected in the D&O market, including heightened competition, stabilisation of primary and excess rates, and broader coverage options.

With regards to the private company D&O market, in 2023 we saw initial forecasts for D&O insurance rates projecting either stability or a potential increase of up to 5%. However, the market experienced stable rates at the outset of renewals, followed by modest single-digit decreases throughout the year, indicative of a softening market. The prevalence of crossover claims, where D&O coverage intersects with other types of claims, rose, prompting the inclusion of exclusions to address heightened exposure. False advertising D&O claims remained a significant concern, stimulating certain insurers to introduce defence cost sublimits or absolute exclusions.

Cyber exclusions on private D&O policies continued to raise concerns, as cyber incidents could potentially implicate directors and officers for inadequate protections. Different insurers adopted varied approaches to address this issue.





Looking ahead to 2024, the market anticipates average rate decreases ranging from flat to 5% for clients with minimal changes in their risk profile. While the market exhibits relative stability, there remains a focus on coverage adequacy and stability amidst evolving market conditions.

Throughout 2023, the fiduciary insurance market grappled with a persistent challenge stemming from excessive fee claims, which has continued to surge in filings since 2020, despite adverse claim frequency trends. However, the market found stability through adjustments in limits, retentions, and premiums made by insurers in response to the litigation upswing. The evolution of excessive fee claims persisted, with over 10 plaintiff firms actively pursuing cases and an expansion in the targeting of plan sizes and sponsorship. Notably, no plan sponsor is immune to this exposure, as claims are distributed across various sectors and plan sizes. Defence costs for Employee Retirement Income Security Act (ERISA) claims remain significant, ranging from USD250,000 to over USD10 Million on average, while settlement values have decreased in recent years due to various factors.

Looking ahead to 2024, the fiduciary insurance market is anticipated to maintain stability, with ongoing litigation outcomes and evolving plaintiff strategies shaping the landscape.

Most insurers have adjusted limits, retentions/excess attachment points and premiums in response to the increase in excessive fee litigation over the past 5 years. There are still certain sectors and risk characteristics that continue to be adverse, such as higher education institutions, healthcare, and employee stock ownership plans.

Litigation outcome of pending excessive fee cases will be of interest as over 150 class actions are pending. Though not prevalent, cases that went to trial in 2023 had favourable outcomes for defendants, and we expect to see more cases going to trial in 2024 which should help create case law for excessive fee lawsuits.

Plaintiff firms continue to evolve their allegations and targets for lawsuits. Heading into 2024, the new trend is lawsuits against sponsors of health and welfare plans alleging excessive fees for recordkeeping, administration, etc. There has not been any resolution in these cases to determine if this trend will be impactful.

In 2023, EPL insurance demonstrated stability and even some improvement, as major insurers became increasingly competitive in meeting premium targets. This resulted in significant double-digit savings and reduced retentions for larger companies. Insurers employed split retentions to allocate higher amounts to riskier locations and employees, while also offering coverage enhancements for discrimination related to political affiliation, transgender issues, and matters involving AI.

Claim trends within the EPL sector included expanded rights for religious accommodation, a broadened joint employed standard, and increased claims associated with disability accommodations and remote work post-COVID-19.

We are closely monitoring emerging trends that could potentially drive a transformation in the EPL market during 2024. Despite a downward trend in Equal Employment Opportunity Commission (EEOC) charges of discrimination and lawsuits since 2017, there was a notable resurgence in EEOC activity in 2023, with an almost 100% increase in lawsuits filed in FY 2023 compared to FY 2022, and total charges up 20% year over year.[3] Trends such as this could lead to EPL insurers needing to charge more premiums and increase retentions in 2024.

Looking ahead, several trends are poised to impact the stability of the EPL market, potentially leading to increased losses. These include the persistence of social inflation and high-wage earner lawsuits, particularly in higher-risk states where severe EPL losses are prevalent. Additionally, 'reverse' discrimination trends and political changes are anticipated to give rise to new types of claims, potentially increasing overall claim frequency. The resurgence of COVID-19 may lead to retaliation and discrimination allegations related to vaccine mandates or workplace safety issues. Furthermore, the enactment of new pay transparency laws creates opportunities for plaintiffs to sue for violations of state law, possibly elevating the loss frequencies.

The use of AI in job listing creation and applicant screening may also result in discrimination allegations, with companies held responsible even when employing third-party AI software, as advised by the EEOC. Finally, wage and hour-related losses remain frequent and relatively severe, typically not covered by EPL but with certain policies available in Bermuda and sublimits for defence in select states.

The crime insurance market in 2023 maintained its firm yet stable stance, witnessing consistent patterns of social engineering fraud and vendor fraud losses that resulted in flat to minor premium increases. Key underwriting considerations include factors such as employee count, asset growth, global footprint, loss history, and the implementation of robust internal controls.

The frequency of social engineering fraud closely parallelled that of employee theft claims, with insurers observing a heightened occurrence of social engineering losses. Embezzlement through vendor fraud continued to be a significant contributor to losses, highlighting the critical importance of effective vendor management practices.

Regarding social engineering fraud limits, insurers typically offered sublimits of USD1 Mn, with additional underwriting requirements for higher limits. The alignment of crime and cyber insurance for specific losses remained pivotal, with cyber policies providing sublimits for social engineering fraud coverage.

The crime insurance market is a mature line of coverage, less driven by the amplitude of settlement and verdict trends when compared to lines of cover such as D&O, and therefore, typically more immune to big swings. We foresee flat to modest single-digit increases in premiums in the range of 0% to 5% for loss-free clients, with more substantial increases for those with losses, loss history or exposure. We also anticipate a sustained emphasis on enhancing controls for social engineering fraud, as well as vendor management strategies, and hence the implementation of Multi-Factor Authentication measures.

[3] Equal Employment Opportunity Commission (EEOC) Annual Performance Report 2023

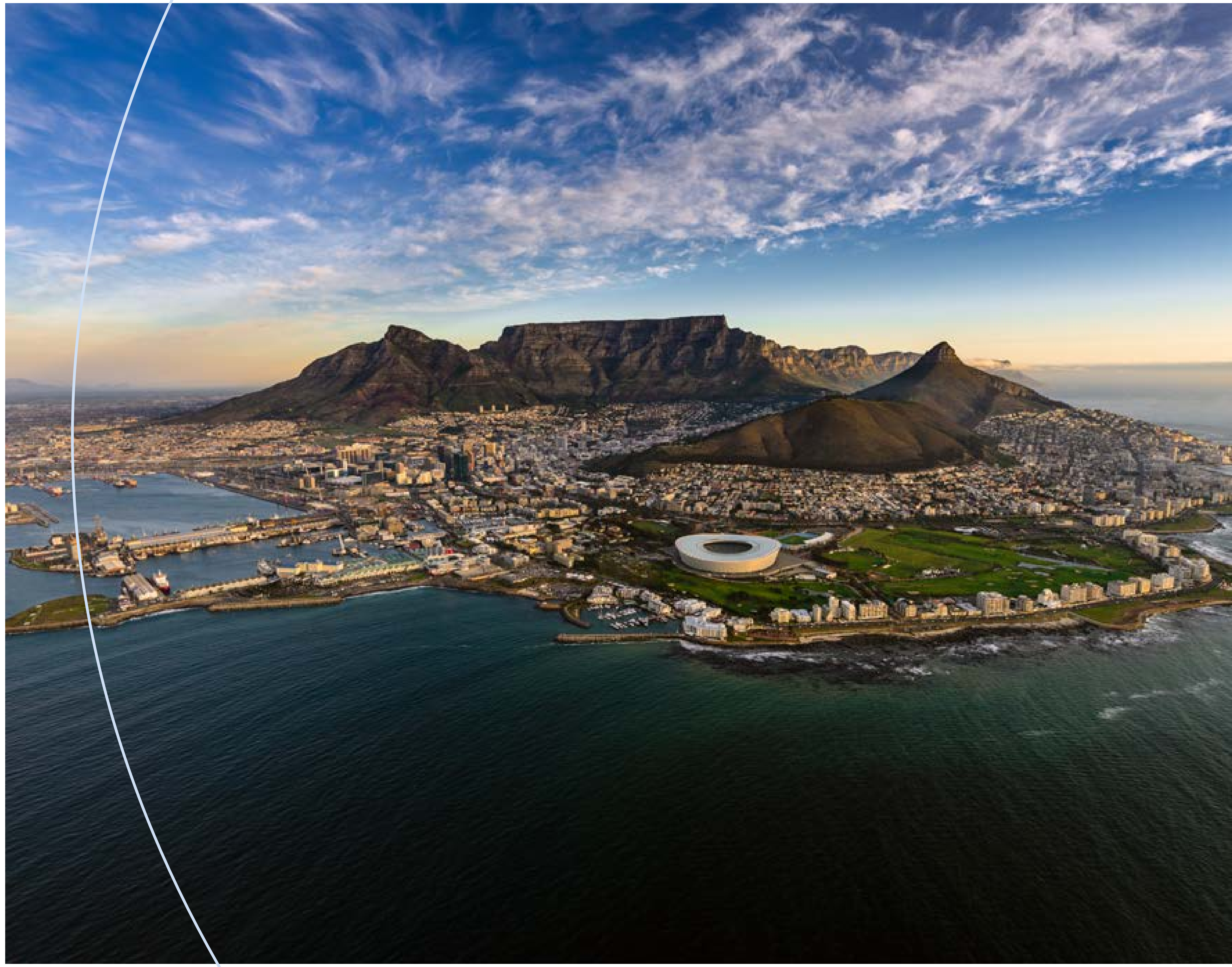
SOUTH AFRICA

The local market typically remains the most competitive option in terms of available capacity, premium rates, and retention levels to cater to South African companies that are privately-owned or have a small to mid-size market capitalisation, exclusively listed on the Johannesburg Stock Exchange.

The South African D&O market has experienced a softening trend throughout the year, with sufficient capacity remaining for most non-complex D&O risks. However, for companies with larger market caps and North American listings, the London market presents the highest level of competition and best terms. Engaging with the London market is crucial for these D&O placements, due to its flexible underwriting appetites, greater capacity, and technical expertise. Accessing the London and international markets is essential to ensure clients receive the most comprehensive coverage, particularly given the licencing capabilities of Lloyd's of London.

2023 witnessed the worst year on record for 'load shedding' in South Africa, a consequence of insufficient power to meet the country's demand, resulting in strategic power cuts lasting several hours per day. The power crisis, along with its social, political, and economic implications, remains a significant concern for South African people and companies. Insurers are closely monitoring how companies navigate operating within the energy crisis, including their incorporation of alternative power sources into their plans and their overall preparedness for a scenario of total grid failure in South Africa.

For publicly-traded companies, any disclosures related to financial performance, business strategy, ESG-related goals, and more must be carefully considered. The necessity for adequate and appropriate D&O insurance to protect the management team and the company's board of directors is paramount.



CONCLUSION

As we navigate through the complexities of the global D&O insurance landscape, it is evident that each territory presents its own unique set of challenges and opportunities. From the competitive dynamics of the Australian market to the regulatory changes shaping the Middle East, the stability of the Canadian market to the evolving risks in the Nordics, each region offers insights into the broader trends shaping the D&O industry.

As we progress through 2024, it is clear that the global D&O market will continue to be influenced by a multitude of factors, including geopolitical tensions, regulatory changes, technological advancements, and emerging risks. Insurers, brokers, and clients are advised to adapt to these evolving dynamics through proactive risk management strategies, innovative underwriting solutions, and strategic partnerships. These will be key in navigating the challenges and seizing the opportunities that lie ahead.

CASE STUDIES

CASE STUDY ONE

The London D&O team recently secured a BOR on a NASDAQ-listed biotech company. Through an extensive marketing effort aimed at enhancing underwriters' understanding of the risk profile and implementing strategic restructuring measures, notable accomplishments were attained.

Specifically, there was a significant reduction in premium expenditure from USD5.8 Mn to USD1.8 Mn, resulting in substantial cost reduction of USD4 Mn. Moreover, the retention was successfully decreased from USD10 Mn to USD2.5 Mn while simultaneously expanding coverage. These achievements underscore the team's proficiency in the sector and demonstrate their capacity to deliver optimal outcomes for clients.

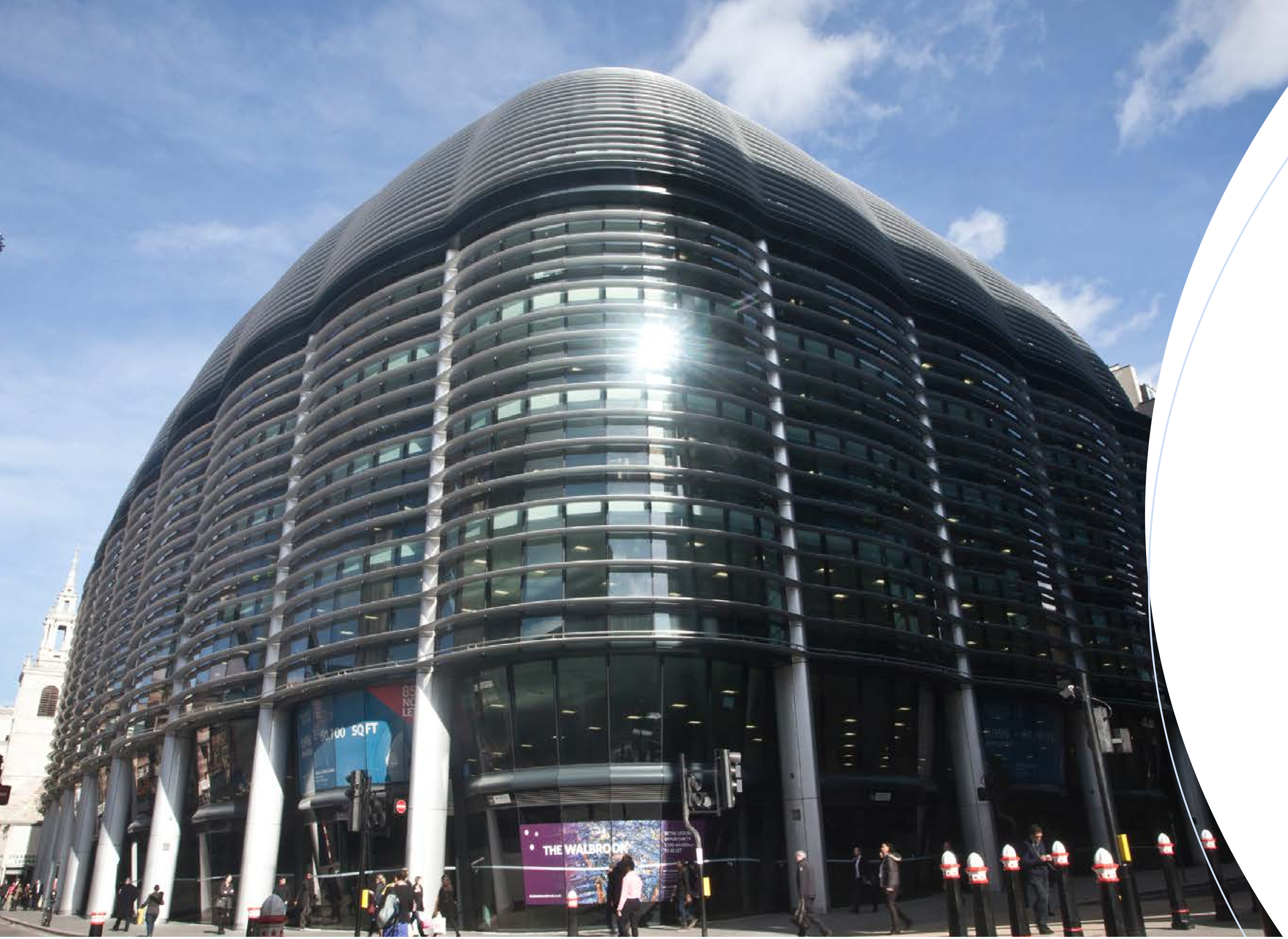
CASE STUDY TWO

In facilitating a de-SPAC transaction, the team seamlessly amalgamated three distinct programs — SPAC, shell entity, and acquiring company — ensuring uninterrupted continuity throughout the process. Leveraging prevailing market conditions, the team negotiated competitive terms and facilitated a seamless transition of cover, demonstrating their adeptness in navigating complex transactions.

CASE STUDY THREE

The client had previously bound a primary policy through another broker, with a retroactive date inception (RDI) exclusion implemented following a change in shareholding that technically constituted a transaction. Dissatisfied with the cost implications of the RDI and the associated run-off policy, Gallagher intervened to provide a solution.

Engaging in discussions with the primary carrier, the team successfully advocated for the removal of the RDI exclusion. Gallagher's argument was centred on the technical nature of the trigger, as there had been no substantive changes to the business or management team, thus negating the necessity for run-off policies. Consequently, the team proceeded to secure excess layers above the primary, ensuring comprehensive cover for the client.



WHY GALLAGHER **FOR D&O**

Our Management Liability (D&O) team can offer clients broad coverage and market influence. We can also offer a personal service that seeks to exceed our customers' expectations.

Dedicated, senior broker support: Our senior brokers are involved on all our client accounts, regardless of size or premium paid. It is their experience that makes the difference.

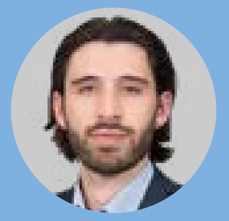
Comprehensive wordings: We don't rely on our brand to do the talking in the market. We negotiate with skill and tenacity to deliver leading programme design and optimal claims outcomes, backed up by extremely broad broker-designed wordings and products.

Consistent service: Team members are assigned to particular accounts, so our clients always know who they will be dealing with throughout the year and have confidence that their account executive understands their needs.

Claims teams in London: Our claims team remains in-house, where it should be. When a claim is notified, our team remains involved throughout, and at a senior level, making it an efficient process for our clients.

LET'S **TALK**

STEVE BEAR
Executive Director
Financial and Professional Risks
M: +44 7849 613 826
E: steve_bear@ajg.com



LIAM HEBRON
Associate Director
Financial and Professional Risks
M: +44 7756 216 388
E: liam_hebron@ajg.com

AJG.com/gallagher-specialty **The Gallagher Way.** Since 1927. gallagher-specialty

Gallagher
SPECIALTY