

Allianz Global Corporate & Specialty

Introduction to D&O insurance

Risk briefing

Allianz 

7 Conclusion

The D&O and Financial Lines segment will continue to grow and develop in the years to come. Even though the market appears to be mainly stagnating at the moment due to the recent financial crisis, claims in conjunction with the crisis that have not yet emerged will lead to higher losses and therefore growth in these products over the mid term.

D&O has long since become a standard product for large corporations. Cover is necessary to enable managers to make decisions without the threat of personal liability constantly hanging over them. Instead of being forced to protect their livelihood by fighting each and every claim through the courts, this kind of cover enables managers to settle these claims quickly and relatively discreetly. But even if an insurer ultimately might not cover a loss, D&O insurance will be useful because the defense costs for the claim can also be covered.

In today's increasingly globalized markets, it is becoming more and more important for the insurer to also be globally structured. The insurer needs to understand each legal environment in which the client is active, and the local policies need to reflect local conditions. Most importantly, the insurer needs to be able to manage claims worldwide and set up an international program which provides coordinated global coverage.

D&O will surely remain a subject of public discussion around the world. It is in the interests of the insurance industry, business clients and brokers as well as regulators and the press to continue this discussion and further develop this critical area of corporate risk cover.

References

- i SME: defined using the European Commission definition based on headcount and revenue.
 - Micro – headcount less than 10 employees and turnover of less than €2m.
 - Small – headcount less than 50 employees but larger than 10, and a turnover of less than €10m but greater than €2m.
 - Medium-sized – headcount of less than 250 employees but larger than 50, and a turnover of less than €50m but greater than €10m.
- ii Datamonitor – “UK Directors’ and Officer” Insurance 2009’.
- iii Speech by Margaret Cole at the Enforcement Law Conference on June 18, 2008.
- iv Towers Perrins – D&O Liability 2008 Survey of Insurance Purchasing trends.
- v Julian Franks and Oren Sussman, “The Cycle of Corporate Distress, Rescue and Dissolution: A Study of Small and Medium Size UK Companies”, April 2000.
- vi Towers Perrin 2008.
- vii Advisen, “European D&O Insurance Market to Benefit from Governance and Legal Reforms”, Nov. 2009.
- viii Susan Scalfane, National Underwriter, Nov. 9, 2009.
- ix Willis, “Marketplace Realities”, 2009.
- x Advisen, “European D&O Insurance Market to Benefit from Governance and Legal Reforms”, Nov. 2009.
- xi Willis, “Marketplace Realities”, 2009.
- xii Marsh (2007) spoke of an unspecified US company with \$ 590 million of cover. Data on cover limits are very hard to find, as they are highly confidential.
- xiii See Horst Ihlas, “D&O”. 2009, p. 103.
- xiv AGCS, Global Risk Dialogue, 2/2009, p. 22-25.