

Directors and Officers Liability (D&O) Insurance Claims Update Nordics 2017

Over the past 40 years we've learned that for the directors, officers, and leaders we protect, legal challenges, allegations, and investigations can be stressful, protracted, and expensive. There's a lot at stake: from reputations, and personal assets, to career damaging disqualification or even loss of liberty.

D&O claims update from AIG Nordics 2017

In 2017 our seasoned team of ten D&O claims handlers in the Nordics have handled over 100 new claims notifications. This number is in line with previous five years with the exception of 2016 where we saw an increase in notifications. As a market leader in D&O insurance in the Nordics with over 7,500 policyholders we have the experience of handling different types of claims in a variety of industries and geographies. 65% of the notifications received in 2017 were against companies with revenue below EUR 100 million. D&O payments are generally volatile by nature because of the long tail exposure they have which could be seen in 2014 which was a record year in terms of claims payments, and while there were a few major losses, many of these payments were connected to the financial crisis in 2008. With over \$17m in claims payments during 2017 we are here to support our policyholders. If your business or your individual leaders are accused of a wrongful act, it's AIG and its trusted partners who'll defend you. These partnerships, coupled with our level of experience and expertise, facilitate prompt case resolution and the best possible claim outcome.

What have been the most frequent claims types in 2017?

Claims in connection with insolvency/bankruptcy are the most frequent ones and stand for 17% of the claims reported in 2017 which is a bit surprising given the strong economy. These claims are usually related to unpaid corporate taxes where liability falls on the board members or claims from suppliers and other parties that have outstanding receivables. These claims are closely followed by bodily injury and property damage claims (14%), breach of trust (13%) and investigations (13%). Investigation claims are predominantly seen on large public companies usually with a strong geographical footprint. Other frequent claims are notifications related to M&A transactions (12%) such as hidden information in sales processes and claims related to wrongful act in connection with employment practices violations (12%).

Securities Claims against foreign issuers in the U.S.

U.S. update: NERA Economic Consulting reported that in 2017 there were 55 filings against foreign companies in the U.S. That was an increase of 25% since 2016 and 50% increase since 2015. This is confirmed by AIG who have seen an increase in filings against foreign issuers during the last couple of years. European companies stood for 40% of the filings in 2017 which was a 29% increase from 2016. 17% of the listed companies in the U.S. are foreign companies, which is a stable number going numerous years back, however 25% of the U.S. filings were against foreign companies in 2017 which shows foreign companies continues to be disproportionately targeted. In 2017 the average settlement value for foreign issuers where \$22.9m. This number was an increase of over 50% compared to 2016 partly because of the large BP and ELAN settlements of \$175m and \$135m respectively, excluding plaintiffs' attorneys' fees and expenses.

For European shareholder class actions we refer to our D&O white paper which we can share upon request. It describes the development between 2008 and 2015 on 50 large shareholder claims under our commercial D&O policies across Europe.

