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Directors and officers (D&O) insurance insights 2026

Top risk trends and exposures for boards of management

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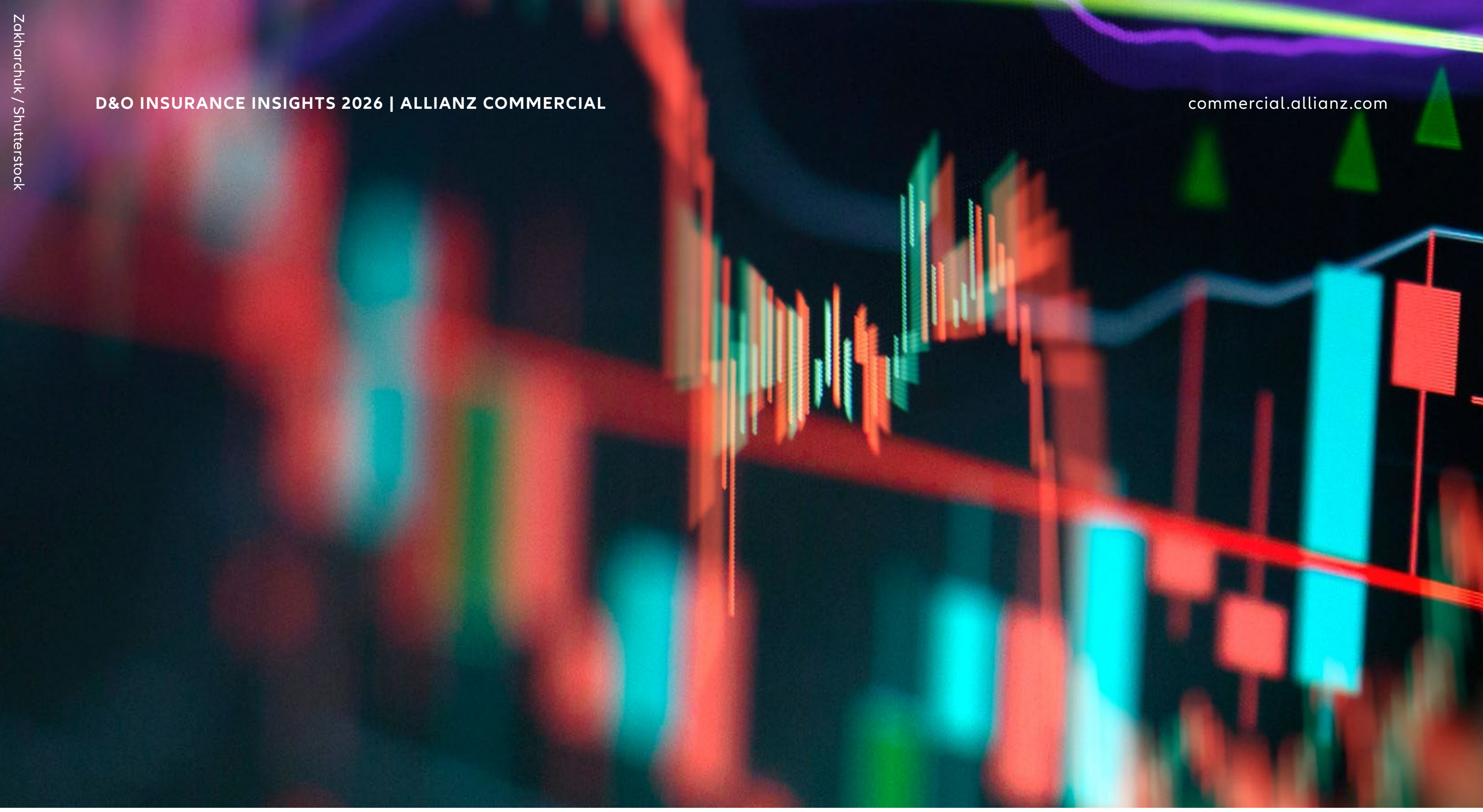

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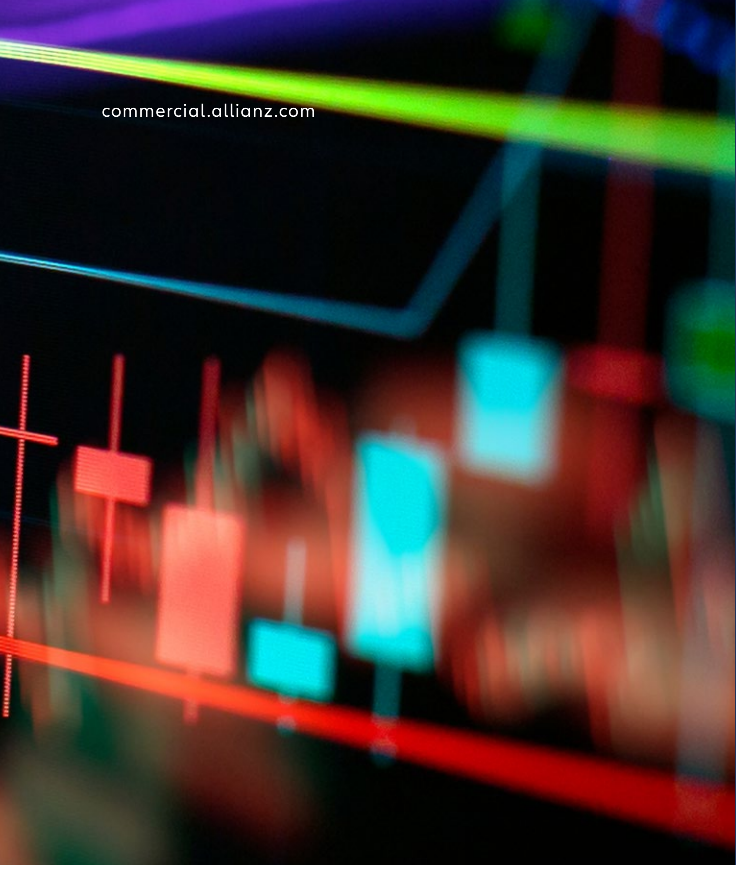
OVERVIEW

Geopolitical and emerging risk trends drive D&O exposure landscape

Senior managers are having to carefully navigate a challenging environment as they head into 2026. Geopolitical and global macroeconomic uncertainty, together with developing areas of risk like artificial intelligence (AI), cyber and even so-called forever chemicals, are elevating liability for directors and officers (D&Os) at both public and private companies.

A combination of geopolitical trends and fiscal challenges are weighing on the global economy and contributing to a climate of uncertainty and volatility for financial markets and businesses alike. Global economic growth is sluggish, and many sectors are struggling with weak demand, rising costs and intense competition. Insolvencies, a key driver for D&O liability (especially for private companies), are set to rise again in 2025 and 2026 after a sharp increase last year.

At the same time, the litigation landscape continues to evolve. Having peaked during 2017 to 2019, US securities class action (SCA) lawsuits remain steady: SCA filings this year are on course to fall just short of last year's total of 229, according to NERA[1]. However, severity has increased. The average settlement value for the first six months of 2025 rose by 27% to US$56mn.



> Political and social shifts have emerged as a significant source of potential liability

With the rise in shareholder activism, recent years have also seen a surge in derivative litigation – whereby investors bring a claim against directors on behalf of the company. Typically brought for breaches of fiduciary duty, derivative actions usually follow shareholder class actions. Once rare, there are now as many as a hundred derivative actions each year, and they are increasing in severity – some 13 of the 18 shareholder derivative settlements[2] over $100mn having settled in the last five years.

Non-accounting and event-driven claims, such as mergers and acquisitions, regulatory enforcement actions or consumer or employee litigation, are now key drivers for D&O liability. The frequency of non-accounting securities class actions has more than doubled in the past 10 years[3]. Environmental and product safety issues, for example, have led to costly litigation and large settlements, with forever chemicals emerging as a particularly challenging risk for D&O insurers.

Today, directors face an expanding range of risks that can give rise to regulatory enforcement actions and shareholder litigation. Political and social shifts have emerged as a significant source of potential liability. For example, the evolving and complex tariff environment and changing attitudes and regulatory approaches to diversity, equity and inclusion (DEI) have triggered regulatory enforcement actions and shareholder actions during 2025.

Technology adoption and a growing reliance on IT systems is another growing source of D&O liability as directors face increasing responsibilities and obligations around data security and cyber security. Cyber-related incidents such as ransomware attacks and outages are now a major frequency driver of claims against D&Os, while AI looks set to become the next frontier for D&O liability. There has been a significant uptick in AI-related filings during the first half of 2025, with more than 50 lawsuits filed in the past five years. Many of these cases alleged that management overstated the benefits of AI to their companies (AI-washing) or understated its risks to profitability.

"Ultimately, D&O liability continues to develop at a quick pace, with an evolving regulatory and litigation environment, an increasingly complex risk landscape, and an uncertain geopolitical and economic outlook," says **Jarrod Schlesinger, Global Head of Financial Lines and Cyber, Allianz Commercial.** *"Against this backdrop, there has been a continual increase in the frequency of new claims against D&Os, now approaching or exceeding pre-pandemic rates in most regions of the world. Meanwhile, claims severity continues to be an issue in North America in particular.*

"D&Os are coming under increasing scrutiny from shareholders and regulators in what is a challenging geopolitical and economic environment. Fast evolving areas like tariffs and AI are difficult areas of risk to navigate, as well as predict and quantify. Robust governance and risk management are critical, but in today's volatile climate, boards must also seek out the tools and expertise needed to identify, manage and communicate these future risks to stakeholders."

TRENDS

Uncertainty in the global geopolitical environment – implications for D&Os

Today's volatile and rapidly changing business landscape is creating serious risks and challenges for companies and their directors and officers (D&Os).

Around the world, political, economic and social uncertainties can impact every aspect of a company's operations, as well as lead to potentially significant changes in financial, regulatory, and legal environments. Moreover, a climate of armed conflicts, cyber-attacks, trade disputes, and economic realignments increases economic fragility and undermines trust in institutions and data. As a result, members of boards of directors and company officers are having to navigate their organizations through incredibly complex risk scenarios that did not exist even a few years ago.

Escalating global tensions

Armed conflicts are escalating throughout the world: 2024 marked the highest number of state-based conflicts in seven decades[4]. Other recent estimates have calculated more than 45 such conflicts in the Middle East and North Africa; more than 35 in the rest of Africa; 21 in Asia; seven in Europe; and six in South America[5]. These conflicts, combined with the fluctuation in tariffs, are fueling a sense of global economic instability and accelerating deglobalization. International trade and investments are increasingly risky, while offshoring and talent mobility may be constrained by protectionism and conflict.

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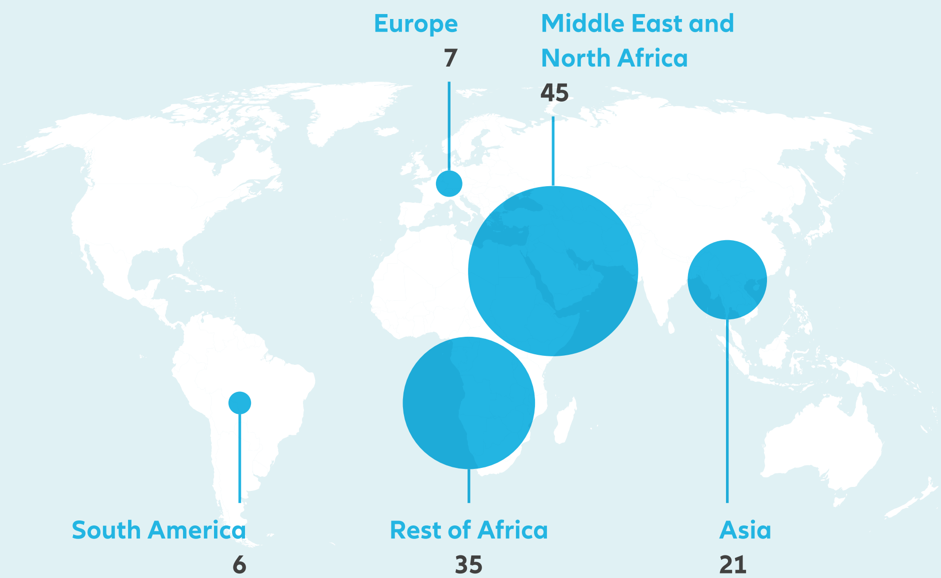
Recent estimates of state-based conflicts



Source: Geneva Academy, RULAC.org. Graphic: Allianz Commercial

> These conflicts, combined with the fluctuation in tariffs, are fueling a sense of global economic instability and accelerating deglobalization

In response, many companies are reviewing their supply chains and exploring the option of reshoring or nearshoring manufacturing to their home markets – a trend born out of the Covid-19 pandemic, as a result of severe disruptions to global supply chains. In addition to global conflicts, factors such as tariffs and trade can also make reshoring attractive to companies. A Bank of America survey of 1,200 firms found that about 60% believe that production will continue to reshore to the US if tariffs remain high. However, a lack of skilled labor and the higher costs of production have companies exploring reshoring with increased automation[6].

A number of non-US companies have also been exploring increasing their US footprint to mitigate the impact of US tariffs[7]. This group includes members of the industrial gas, semiconductors, pharmaceutical, automobile, technology, and retail food industries.

However, in reducing tariff exposure, companies must be careful not to inadvertently increase other potential risks.

"The US has the most litigious business environment in the world. Directors of non-US businesses looking to expand their US footprint, and US businesses interested in reshoring, must carefully weigh any potential benefits gained by such a move against an increase in litigation risk," says **Heather Fong, North America Head of Product Development for Financial Lines, Allianz Commercial.**

"This is particularly true as the current costs of litigation are skyrocketing. The severity of the increased litigation risk to each business will vary, but the very real risk of US litigation may make these moves cost prohibitive," says **Fong.**

For example, a 2024 survey of US companies with more than US$1bn in revenue revealed spending on class actions increased[8] to account for 14.6% of corporate legal spending (or $3.9bn).

Heightened liabilities for directors

Geopolitical events are not just headlines — they shape markets, disrupt supply chains, and redefine competition. Failure to anticipate and adapt can expose companies to financial loss, reputational harm and operational failings.

Shocks such as conflicts, political instability and trade barriers create wavelike effects across industries.

The war in Ukraine destabilized global energy markets, driving up oil prices and operational costs in Europe (in the two weeks after the invasion oil and gas prices increased by 40% and 180% respectively, but have since moderated, according to the ECB[9]). Higher energy costs subsequently impacted consumer spending while international sanctions on Russia have forced businesses to restructure supply chains, particularly in energy, chemicals and logistics.

Such direct and indirect impacts demonstrate how geopolitical shocks can trigger cascading disruptions across entire sectors. Ongoing geopolitical instabilities expose companies and their management to an array of complicated operational and financial challenges, which can have enormous potential to result in corporate and securities litigation. For example, companies may face increased scrutiny for non-compliance with international sanctions regimes or a failure to observe changes to legal and regulatory frameworks in the different territories of their operations, which can lead to heightened individual D&O liabilities.

Viewing geopolitics through a corporate lens

Business impact:
Geopolitics affects every function and must be embedded in corporate strategy.

Volatility management:
Flexibility is essential to navigate ongoing instability and upcoming global elections.

Strategic focus:
Companies should identify risk drivers, build buffers, and engage in scenario planning.

Collaboration:
Sharing intelligence, best practices, and insights with stakeholders and partners strengthens collective resilience.

D&Os can be held accountable for misjudging the impact of geopolitical developments on their company's operations, or failing to control and adequately adapt to the legal or regulatory requirements in different countries. Liability for D&Os may arise from shareholder lawsuits or regulatory penalties directed both against the entity and individual decision-makers.

Building strategic resilience

Unsurprisingly, geopolitics has climbed the corporate agenda. Geopolitical and economic uncertainty was cited as the top priority for boards in 2025, according to Deloitte's latest resilience survey[10]. But a changing geopolitical landscape is not just about risks and disruption. Agile and well-informed companies can seize new market opportunities, redesign value chains, and adapt offerings to meet shifting demand.

As such, geopolitical intelligence and business impact analysis need to become integral parts of organizational risk management and strategic decision-making, as well as supply chain and cyber risk management. Systematic monitoring of global hotspots and scenario-based planning are now essential, according to **Ralph Viand, Product Development and Multinational Lead, Financial Lines, at Allianz Commercial:**

"Viewing geopolitics through a business lens allows companies to identify risks and threats before they emerge. Systematically monitoring emerging and active geopolitical hotspots remains a key component in the current unstable market environment to enable businesses to better implement risk management strategies that protect their interests."

Underwriting emerging geopolitical risks

How companies and their management monitor and address these new challenges has become an integral part of the D&O underwriting process. For example, how a business is investing in expertise, whether through external advisors or board appointments, to proactively address emerging geopolitical risks, and its ability to adapt, are critical considerations when assessing a company's D&O exposure profile.

"By treating geopolitics as an integral part of risk and strategy management, businesses not only safeguard continuity, they also position themselves for long-term advantage," says **Eric Wedin, Head of Financial Lines, North America, Allianz Commercial.**

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TRENDS

Cyber has emerged as a major cause of claims against D&Os

Cyber-related directors and officers (D&O) liability is increasing with companies' growing reliance on technology, regulation, and an evolving threat landscape.

Cyber risk remains a persistent threat for businesses large and small, as evidenced by recent disruptive ransomware attacks against retailers, airlines and auto manufacturers in the US and Europe. Cyber was again the risk of most concern globally in the **Allianz Risk Barometer 2025**, its fourth consecutive year at the top.

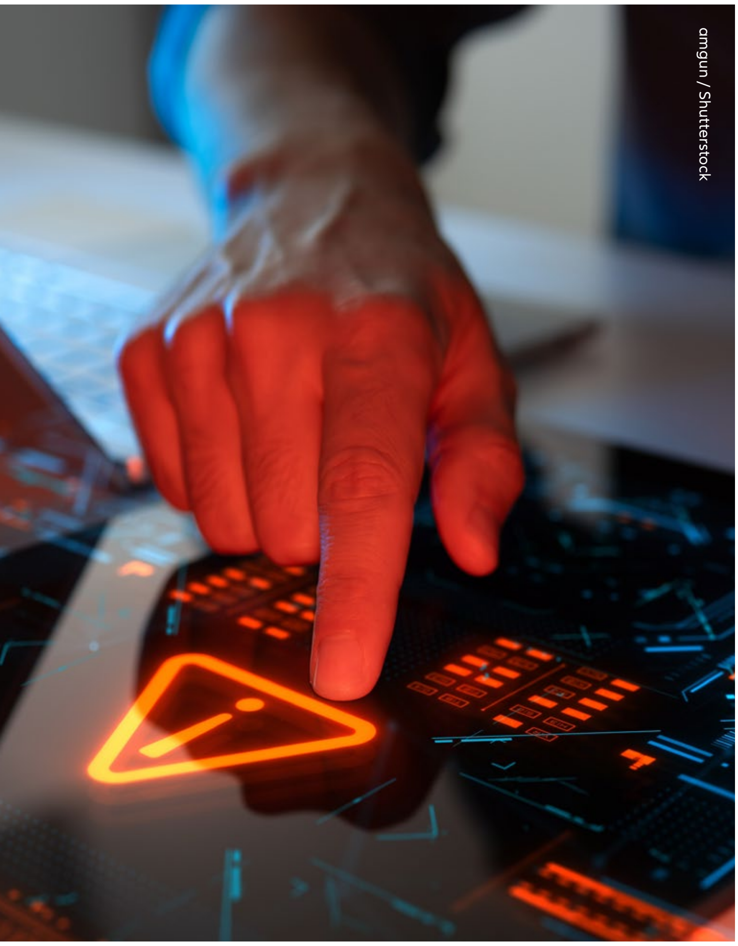
Cyber liability risks for directors and officers have risen sharply in recent years with higher expectations for board-level oversight of cyber security and a trend toward more litigation and regulatory actions, according to **Alfred Mora, Chief Underwriter, Financial Lines, Germany and Switzerland, Allianz Commercial:**

"More and more we see companies and their investors holding board members responsible for cyber incidents. The willingness to seek damages in court is increasing, partly out of fear of recourse claims by shareholders or supervisory authorities. The threshold for asserting internal liability is falling while the number of cyber-attacks with a systemic impact has increased," says **Mora.**

Regulatory drivers

Companies and their directors face a constantly evolving regulatory environment. In addition to comprehensive data privacy laws, including the EU's General Data Protection Regulation (GDPR) and California's Privacy Rights Act, policymakers have been turning their attentions to operational cyber resilience. For example, the Digital Operational Resilience Act (DORA) and the Network and Information Security directive (NIS2) establish cyber security standards for critical and important sectors in the EU.

NIS2 in particular raises the stakes for cyber security. The directive extends robust cyber security and reporting standards to more companies and their supply chains – failure to comply can result in fines of up to €10mn or 2% of global turnover. The directive also increases the personal accountability[11] for D&Os, who will be directly responsible for overseeing cyber security, risk management and incident response preparedness.



> Claims against directors have been triggered by a wide range of events, from ransomware attacks to technical glitches

Regulations will make companies invest in cyber security and data protection, and this should mean they are better protected. But with increased regulation comes more obligations. Directors that fail to comply could face regulatory investigation and, potentially, administrative penalties.

D&O liability

Cyber exposures for D&Os typically arise from their duty to oversee the organization's cyber security posture. Should a cyber incident result in financial loss, directors could face legal claims from shareholders, customers or suppliers (and in some cases, from the company itself) if the board has failed to implement adequate cyber risk controls or business continuity plans. Directors could also conceivably face shareholder litigation for a perceived lack of cyber insurance coverage, explains **Mora.**

Numerous shareholder lawsuits have been filed following ransomware attacks and data breach incidents in the US.

In addition, regulatory investigations can result in significant fines and penalties for both the company and its directors. US life sciences company Illumina Inc. recently agreed a US$9.8mn settlement with the US Department of Justice[12] over allegations that it failed to incorporate adequate cyber security in genomic sequencing systems sold to federal agencies.

"Following a cyber incident, investors will ask whether the company could have been better prepared and protected, and they will look to the directors to see if they did enough to give the business the best chance of withstanding an attack. This is a real threat for directors. With ongoing cyber-attacks and increasing regulation it will be easier to go after them. And while they might not be at fault, they can still face significant defense and investigation costs," says **David De Greef, Head of Financial Lines and Cyber, Benelux, Allianz Commercial.**

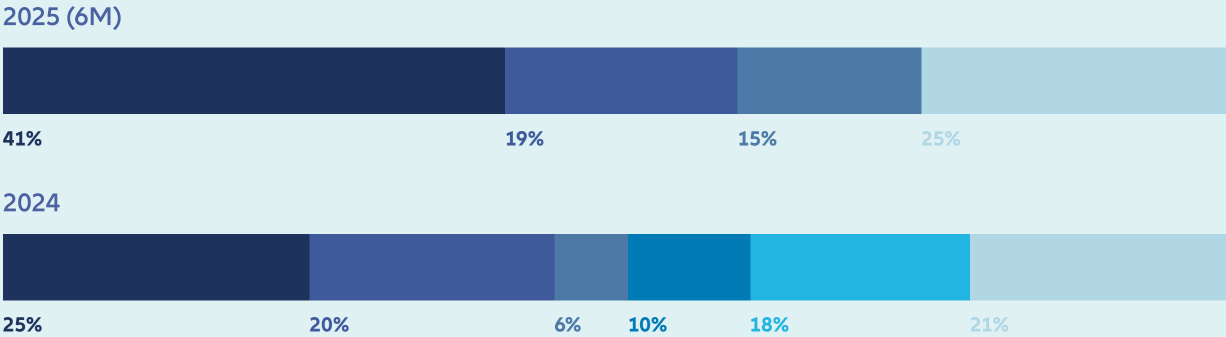
Growing source of D&O claims

Cyber is a rising category of claims against D&Os, according to **De Greef.** Such claims have been triggered by a wide range of cyber events, including data breaches, ransomware attacks and technical glitches:

"Ten years ago, this was not really a boardroom topic, and we would not have seen claims against directors and officers for lack of attention or investment in cyber security. But with increasing media and regulatory interest, we are seeing an increase in frequency of claims related to cyber."

Cyber claims analysis: Expanding risk landscape visible – incidents by loss category

By % share of total claims value – large claims only (>€1mn)



KEY

- Attack-driven losses (with data exfiltration)
- Attack-driven losses (without data exfiltration)
- Contingent business interruption (CBI)/supply chain)
- Business interruption due to technical failure
- Non-attack data breaches (e.g., wrongful collection and processing of data)
- Tech/media professional indemnity (e.g., legal actions related to service performance etc.)

Source: Allianz Commercial. Large claims analysis only (>€1mn) between 2021 and 2025 (6M) with a total value in the dataset in excess of €400mn

Top causes of cyber insurance claims trends

Ransomware attacks accounted for around 60% of the value of large cyber insurance claims (>€1mn) seen by **Allianz Commercial** during the first six months of 2025, according to its annual **Cyber Security Resilience Outlook**.

High-profile incidents targeting large companies in many industries underscore ongoing threats, but attackers are also targeting smaller firms, which are typically less resilient. Recent years have also seen a shift from purely extortion-based ransomware attacks to double extortion including data exfiltration – 40% of the value of large cyber insurance claims during the first half of 2025 included data theft, up from 25% in all of 2024. Losses involving data exfiltration were more than double the value of those without.

However, the risk landscape is expanding beyond direct cyber-attacks. Non-attack incidents, such as wrongful collection and processing of data, as well as business interruption due to technical failure, account for a record 28% of large cyber insurance claims by value during 2024. Meanwhile, claims related to growing dependencies of IT supply chains is a key emerging trend. Contingent business interruption (CBI) supply chain events accounted for 15% of large cyber insurance claims by value during the first half of 2025, compared with 6% in 2024. Such losses can result from both attacks and technical faults, causing disruption to critical services and production. The risk of breaches at companies' IT partners is harder to control. Vendors need to be well managed from a contractual perspective, but also around access control, monitoring and audits of suppliers.

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Cyber is a particular issue for D&Os of small and mid-sized companies, which often lack the resources to invest in cyber security. Large companies, in contrast, have been investing and are more likely to purchase cyber insurance.

"Cyber security requires significant budget, and many small companies and mid-corps are instead focusing on their core operations. Small and mid-sized firms are more at risk and if there is an incident external parties can pursue claims against the directors," says **De Greef.**

Proactive management of cyber risk is key

The cause of a cyber incident is not as important as the steps taken by directors to manage the risks.

"You might get hacked, but it's about the impact on the business and the measures taken to mitigate it. If you invest in cyber security, have a solid business continuity plan and robust data privacy controls you are far less likely to face litigation or regulatory action," says **De Greef.**

A coordinated approach to D&O and cyber insurance, along with proactive risk management, is essential, says **Mora.**

"Cyber risk must be a top priority today – simply delegating it is not enough. However, those who act in a structured, informed, and controlled manner can protect themselves. The most effective protection against cyber liability for directors and officers is not just technical IT solutions, but well-organized, documented, and forward-looking management," **Mora** notes.

It is also important for companies to appoint people with knowledge of cyber security to the board. Almost every decision will have a cyber impact, and directors will need to be on their toes and keep up to date with the latest trends to ensure their business is in the best position to withstand an attack. Cyber risk is not going away and will be a key topic for boards of directors for years to come.

AI sparks shareholder actions

Rapid developments in artificial intelligence (AI) generate huge potential opportunities for companies, but they also bring risks in the D&O space.

AI technology is attracting massive levels of investment: The global AI market is predicted to reach US$4.8trn by 2033[13] – a 25-fold increase in just a decade.

However, AI has the potential to trigger D&O claims through securities class action lawsuits and regulatory enforcement actions, including cases of AI-washing. In April 2025, the US Securities and Exchange Commission (SEC[14]) charged the founder and former CEO of AI-startup Nate, Inc with misleading investors by making false and misleading statements about the company's use of AI.

In addition to regulatory enforcement, there are a growing number of securities class actions relating to AI, mostly focused on performance issues at AI companies, AI-washing allegations and the understating of AI-risks. According to the Stanford Law School Securities Class Action Clearinghouse[15] there were 12 AI-related securities class action lawsuits filed in the first half of 2025, bringing the total to 53 lawsuits filed since the first in March 2020.

"AI is definitely a hot topic with investors, who are looking at how companies are investing in and using artificial intelligence in their businesses. Companies are under growing pressure to show they are following the latest trends but if investments fail to perform as expected, or if companies fall behind their peers, shareholders will ask questions to directors," says **Sandy Codding, Regional Head of Porfolio Steering, Financial Lines, North America, Allianz Commercial.**

"Cyber and AI are difficult risks to predict. Business interruption and data privacy are likely to remain among the biggest causes of cyber-related claims against directors, but emerging areas like AI have the potential to drive a significant increase in directors and officers liability in the future," says **Codding.**

TRENDS

PFAS: An under-appreciated emerging risk for D&Os?

Forever chemicals highlight the need for boards to be more forward-thinking when identifying and disclosing emerging risks.

First developed in the 1940s, per- and polyfluoroalkyl substances (PFAS) have since been used for a wide range of industrial and consumer products, including nonstick cookware, waterproof or stain resistant fabric, food packaging and firefighting foams.

Unfortunately, while boasting many useful properties, PFAS (also known as forever chemicals) have also been linked to serious potential health issues, including an increased risk of cancer and reduced fertility. In addition, given that they do not easily degrade, PFAS are now widely distributed and persistent. Almost 23,000 sites in Europe alone are thought to be contaminated by forever chemicals, according to the Forever Pollution Project[16].

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Billion-dollar litigation

While the science around the effects of forever chemicals is still developing, recent years have seen mounting litigation relating to PFAS products, much of it stemming from environmental contamination and product safety concerns (mostly in the US, although there have also been civil proceedings in Europe, Canada and Australia). As of year-end 2024, some 30 US states had initiated litigation against the manufacturers of PFAS chemicals, according to Safer States[17], a coalition of environmental groups.

One of the biggest settlements to date is that of chemical manufacturer 3M, which agreed to pay US$10.3bn to settle water contamination claims in 2023[18]. Over 12,000 pending lawsuits have been consolidated into a multidistrict litigation known as the AFFF Firefighting Foam MDL[19], which involves PFAS-related claims of firefighters, municipalities and utilities. Analytics firm, Verisk[20] has estimated that PFAS water contamination and environmental litigation in the US could eventually cost as much as $165bn, depending on how regulatory and legal trends evolve.

From a directors and officers (D&O) perspective, PFAS-related liability is a potential source of claims, namely through corporate and securities litigation, explains **Dan Holloway, Head of Management Liability Commercial and Professional Indemnity at Allianz Commercial.**

"Like other event-driven directors and officers (D&O) losses, we are seeing securities litigation where shareholders allege that the directors failed to identify potential PFAS liability exposures and did not adequately disclose those risks to investors. When the stock price drops, investors may point the finger at D&Os and say that was a risk you should have been aware of and disclosed," says **Holloway.**

> The duty of a director now is greater than ever before. They need to be able to look forward, as well as back, when it comes to assessing risks to their company

To date, securities actions related to forever chemicals have not been successful. However, PFAS liability is still developing, and the likelihood of further securities litigation cannot be discounted. And, unlike general liability and product liability claims, D&O policies do not require firm scientific evidence of damage to respond, according to **Holloway.**

"D&O insurance is very much a defense costs policy. While the link between forever chemicals and human health may not have been 100% proven, directors can still find themselves in the firing line through securities litigation and regulatory investigations, and these legal costs would be covered."

Horizon scanning

The crux of D&O liability for emerging risks like PFAS is in how such risks are identified and disclosed, according to **Holloway:**

"The disclosure of emerging risks like PFAS is so important. Whether it's forever chemicals, artificial intelligence, geopolitical risks, climate change or cyber security, directors need to seek guidance when it comes to disclosure. That is where they can be vulnerable."

Traditionally, risk management has taken a historical view and focused on foreseeable risks. But increasingly directors are expected to carry out horizon scanning and disclose risks that haven't yet occurred, but may happen, says **Holloway:**

"Emerging risks shine a light on how the directors and officers run a company. The duty of a director now is greater than ever before. They need to be able to look forward, as well as back, when it comes to assessing risks to their company."

Insurers such as **Allianz Commercial** use insights from its emerging risks task force to consider how they might materialize as D&O exposures. Many companies would do well to adopt a similar approach when it comes to emerging risks, says **Holloway:**

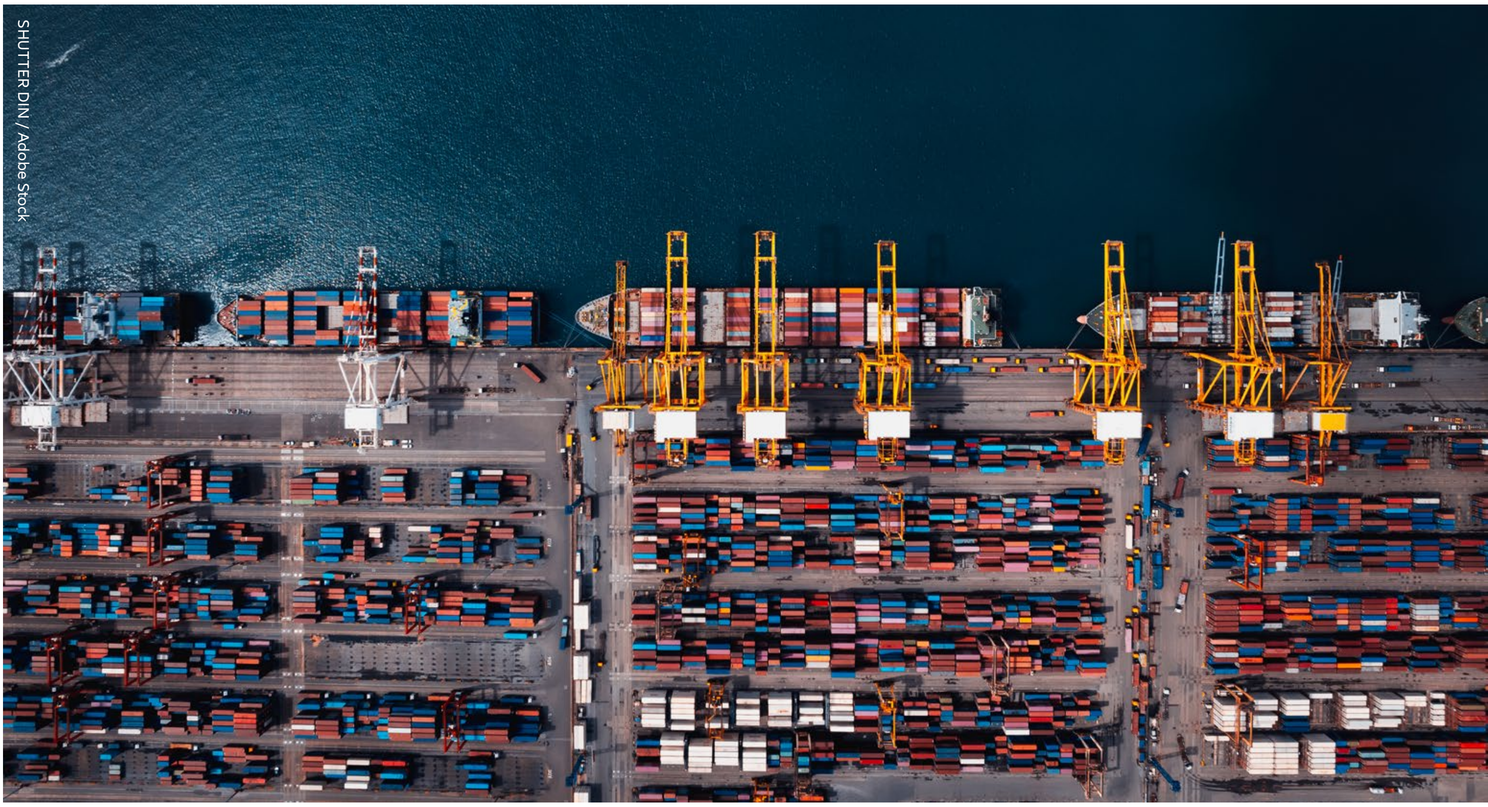
"A task force is the best way to identify potential emerging risks. By having a task force you bring in different disciplines from the business and different perspectives that can help you identify potential trends, like a social or demographic shift or a new technology, and explore how they might impact the business. That is how directors will be expected to operate going forward."

Underwriting challenges

For D&O insurers, underwriting emerging exposures like PFAS is challenging, especially when risks are not well established. For example, the science around the impact of PFAS on the environment and human health is not conclusive. While studies have linked exposure with adverse health effects, research is still ongoing to determine how different levels of PFAS exposure can lead to a variety of health effects, according to the US Environmental Protection Agency.

As yet, D&O insurers are not applying restrictive language for PFAS-related exposures, yet there remains considerable uncertainty around potential liability, says **Holloway:**

"PFAS exposure does not automatically mean a D&O claim. But this issue isn't going away. These chemicals are everywhere and take a long time to degrade naturally. So how boards identify, monitor and disclose these risks will be critical going forward."



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TRENDS

Private companies: Trade risks challenge D&Os

Directors and officers (D&O) liabilities for privately held companies can differ somewhat from those of publicly traded firms. While listed companies may have higher exposure to securities litigation, directors of private companies can still face significant risks.

Bankruptcy and regulatory enforcement actions are among the top sources of private D&O claims, although claims can also arise for breach of fiduciary duty, such as misleading or inadequate disclosure or negligence.

The current challenging business environment – marked by factors such as tariffs, weak demand and rising costs – is increasing the risks of such claims against directors of private companies, according to **Peter Carozza, Regional Head for Private Company Business, Management Liability, North America, Allianz Commercial:**

"Directors of private companies are having to navigate their organizations through some very choppy waters. At a time when margins are already being challenged, geopolitical instability and technology transformation are bringing additional issues. Directors can expect additional scrutiny from stakeholders, placing even greater emphasis on good governance and the need for robust D&O insurance coverage."

Regulatory and litigation exposures

Much like publicly traded companies, one of the hottest topics for private D&O liability is the uncertain geopolitical landscape, in particular the far-reaching impact of US tariffs on business and the wider economy.

Tariffs and protectionist trade policies are heightening uncertainty for many private companies, potentially impacting access to export markets and reshaping supply chains. In the **Allianz Trade Global Survey** in May 2025, 42% of exporting companies said they expected turnover to decline by -2% to as much as -10% over the next 12 months, while almost two thirds of companies plan to find new markets for exports and supply. Ongoing trade tensions will continue to weigh on the world economy: Growth in global trade is expected to slow to +0.6% in 2026 from +2% in 2025, according to **Allianz Trade** forecasts.

Tariffs will have financial and regulatory implications for many private businesses at a time when they are under pressure from relatively low growth and higher interest rates. Without the capital and resources of large corporates, many private mid-sized companies will find it harder to pivot and navigate the changing trade and tariff environment. However, tariffs will affect sectors differently with winners and losers. Cyclical, capital intensive, and protectionist sectors like automotive, retail, manufacturing, and construction are most at risk.


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> Trade tariffs can bring an additional risk of regulatory investigation and enforcement actions, and litigation for private companies

From a D&O liability perspective, trade tariffs can bring an additional risk of regulatory investigation and enforcement actions, and litigation for private companies, says **Sarah Geraghty, Global Underwriting and Mid-Corp Product Lead, Financial Lines, Allianz Commercial:** *"Shareholders may allege that directors and officers breached their fiduciary duties by not taking adequate precautionary measures or not sufficiently adapting to changing conditions. In addition, consumer class actions could arise if a company is perceived to have misrepresented tariff impacts in marketing or passed on costs in allegedly deceptive or unfair ways."*

Compliance is another challenging area for D&O liability. Companies and their directors could potentially face investigations and enforcement actions from their regulators or customs authorities or civil litigants for allegations of tariff evasion or misleading disclosures. For example, US authorities can use a variety of tools to enforce tariff compliance, including the False Claims Act (FCA). The US government recently filed an FCA complaint against a South Carolina furniture company[21] alleging the firm falsified documents and underreported tariffs.

Tariffs and growing protectionism will place directors of private companies under growing scrutiny, says **Carozza:**

"For D&Os, mitigating tariff-related risks comes down to robust governance and staying informed about the evolving political and trade landscape. Scenario planning and risk assessments focusing on potential tariff outcomes and supply chain dependencies can help boards anticipate potential financial and operational implications, as well as support timely and accurate disclosure."

TRENDS

Elevated bankruptcy risk

At the same time as trade tensions and fiscal challenges continue to weigh on the global economy many sectors are also facing additional pressures from technological shifts, growing competition and regulatory changes. Such factors are expected to play their part in driving the number of business insolvencies upwards in the next two years.

According to **Allianz Trade**, global business insolvencies are expected to rise by +6% in 2025 and +5% in 2026. Next year will thus mark five consecutive years of increases to reach a record high number of bankruptcies, +24% above the pre-pandemic average.

In the US, there has recently been a rise in "mega bankruptcies" – those filed by companies with over US$1bn in reported assets. The first half of 2025 saw 17 such bankruptcies, the highest number of any half-year period since the Covid-19 pandemic. Over the past 12 months, there were 32 mega bankruptcies[22], well above the 2005–2024 historical average of 23.

Insolvency risks are particularly concentrated in the automotive, construction, retail and consumer goods sectors.

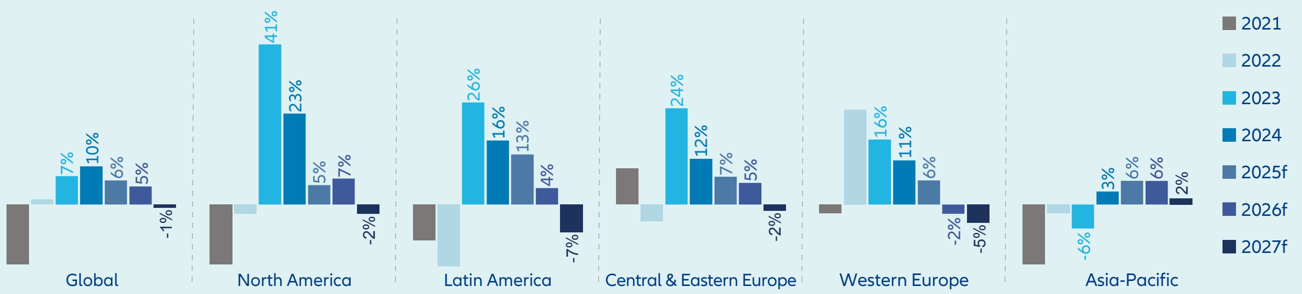
D&Os' liabilities are heightened during and following bankruptcy proceedings. Even the suggestion that a business may be in financial distress can increase the risk of litigation as lenders, investors and other parties look to protect their interests. In a tough and volatile trading environment insolvency can also affect companies that are in relatively good health, as the unexpected failure of a large company can have a domino effect of insolvencies among its suppliers.

"The conduct of directors during the period a company approaches insolvency will fall under closer scrutiny by stakeholders once bankruptcy is declared. This is true whether the insolvent company is large or small, or public or private," says **David Ackerman, Global Practice Leader, Commercial Management Liability and Financial Lines Claims, Allianz Commercial.**

Bankruptcy filings or insolvency are not always certain to result in D&O claims but when they do they can be costly, according to **Peter Carozza, Regional Head for Private Company Business, Management Liability, North America, Allianz Commercial.** *"In the event of a company failure, creditors and bankruptcy trustees may look to recover funds by targeting directors and officers, exposing D&Os to potentially large defense costs."*

"It's important that directors understand their expanded fiduciary duties in the event of an insolvency, seek expert advice and keep detailed records of all key decisions and supporting information. Such information will prove critical if D&Os face claims of mismanagement or allegations of conflicts of interest," adds **Sarah Geraghty, Global Underwriting and Mid-Corp Product Lead, Financial Lines, Allianz Commercial.**

Global and regional insolvency indices, yearly change in %



Source: Allianz Trade

INSURANCE OUTLOOKS

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

Allianz Commercial's directors and officers (D&O) insurance leaders around the world highlight some of the particular trends relative to their insurance markets and consider the outlook for the future.

US

Generally, the financial lines commercial business has started to show signs of stabilizing. However, there are segments that remain more competitive, such as private D&O.

Broadly, we have seen little change in insurance buying behavior, although some insureds have been in a better position to purchase additional limits in the current market.

At the time of writing, financial lines insurers are expecting a slight reduction in the frequency of securities class action claims in 2025 (216 down from 229), based on the first-half activity, according to NERA[23].

However, the average settlement value increased significantly in H1 2025 to US$56mn from an inflation adjusted $44mn in 2024 and the $38mn average of the prior nine years.

Eric Wedin, Head of Financial Lines, North America, Allianz Commercial

Asia

We see heightened competition from an abundance of capacity globally eyeing Asia-domiciled risks. The overall commercial D&O market size has been shrinking due to rate erosion and limited new business.

We are seeing more clients cutting insurance spending and being more cautious about costs. This is driving a lot of tenders and remarketing by clients seeking more economical solutions, which in turn is driving more intense broker competition and rate pressure. Terms and conditions are also starting to move with trends of lower deductibles and wider coverages provided by the market.

Claims frequency remains low, whether that is local claims or US securities claims. However, we have experienced higher severity in terms of settlement amounts for prior year claims being resolved.

It is a good time for new potential buyers to consider purchasing D&O insurance because of the solutions and choices they can obtain in this market.

Josephine Tam, Head of Financial Lines and Cyber, Asia, Allianz Commercial

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France

In France, the insurance market has been competitive in recent years. Some carriers are focusing on their top line rather than on their bottom line, which has not been the case in the past. The market has a good retention ratio level in terms of number of accounts.

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

Regarding claims activity, we have seen an increase in bankruptcy cases coming from the large corporation side, which we have not experienced for some time, as well as on the middle market side.

The large corporation segment is a relatively mature market in France, and the space for growth is not as significant as in the middle market space. A lot of mid-corp entities have not purchased any D&O solutions yet but we anticipate greater demand for these in future.

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

Germany

Overall we expect the market to continue to stabilize in 2026, although there are some mixed signals on the premium side. We are seeing insurance contracts being renewed unchanged. However, we are also seeing customers who have to meet internal cost-saving targets and are therefore putting pressure on brokers and insurers.

Yet there are already initial signs that the downward spiral is coming to an end. Some competitors are no longer offering long-term agreements. Ultimately, however, there is still sufficient capacity in the market, particularly with regard to excess positions.

The standard market capacity remains at €15mn. Higher capacities are only available in exceptional cases and then often only on a ventilated basis.

Regarding loss activity, we continue to see an increase in claims resulting from cyber-attacks against directors. Meanwhile, bankruptcies and insolvencies are among the top sources of D&O claims.

Alfred Mora, Chief Underwriter, Financial Lines, Germany and Switzerland, Allianz Commercial

Latin America

The insurance market in Latin America is undergoing a period of significant transformation and growth, and the D&O segment is no exception. The robust growth in demand for this protection is mainly driven by greater corporate awareness of governance and legal liability risks, increased compliance regulation, and post-pandemic economic recovery.

Countries such as Brazil, Mexico, Chile, and Colombia are at the forefront of this movement in Latin America, where increasing regulatory complexity and the frequency of corporate and consumer litigation make individual protection for managers and executives an urgent priority. Despite the upward trajectory, D&O insurance penetration in the region still has plenty of room for expansion, especially in medium-sized companies seeking greater professionalization.

One of the main driving factors is regulatory progress, with stricter enforcement of anti-corruption laws (such as Brazil's Clean Company Act) and growing pressure for better ESG (environmental, social, and governance) practices, which substantially increases the legal exposure of directors and board members and consolidates D&O insurance as a crucial risk management tool. In addition, the rapid digitization of operations and increased cyber risks also create new responsibilities for administrators relating to failures in data security management.

Faced with an economic scenario that demands greater transparency and corporate accountability, Latin America is consolidating its position as one of the most dynamic regions for the development and consolidation of the global D&O insurance market.

Monica Oyaga, Head of Long Tail, Latin America, Allianz Commercial

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UK

Following premium rate reductions from 2022 through 2024, insureds in the UK financial lines market benefited from favorable pricing in 2025, though the pace of decreases slowed. Long-term agreements have been a feature of recent years, with insureds seeking pricing stability and securing multi-year terms as insurers compete for retention.

Policy enhancements and broadened coverage reflect a soft market. Demand for D&O coverage remains steady. Interest in ancillary lines such as Crime, Pension Trustee Liability (PTL) and Employment Practices Liability (EPL) is increasing, as insureds seek broader protection by reinvesting D&O premium savings back into their risk management. There has been an uptick of Side A, including difference-in-conditions (DIC) coverage requests, as D&Os seek additional coverage in the heightened risk environment.

Securities class action activity is consistent with 2024, though defense and settlement costs are rising, particularly for cross-border exposures. Regulatory risk persists, with HM Revenue and Customs (HMRC), the Serious Fraud Office (SFO) and the Financial Conduct Authority (FCA) maintaining strong enforcement. Artificial intelligence (AI) adoption will alter the UK regulatory landscape, presenting challenges. Social inflation, and investigation, compliance and remediation costs are escalating.

With subdued IPO and M&A activity, premium growth in 2026 is likely to remain flat unless there is a rebound in capital markets activity or a shift in loss trends.

Sharanjit Chaggar, Regional Head of Financial Lines, UK, Allianz Commercial

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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.

Further information and contacts

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