

**AON**

# Quarterly D&O Pricing Index

Fourth Quarter 2023





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# Aon Reports Fourth Quarter 2023 Public D&O Pricing

**Average Price Per Million, Adjusted for Certain Items, decreased 14.4 Percent in the Fourth Quarter**

**Average Change for Primary Policies with Same Limit and Same Deductible decreased 10.0 Percent**

## Fourth Quarter Key Metrics and Highlights

- Average price per million decreased 17.5 percent compared to the prior-year quarter.
- Price per million for clients that renewed in both Q4 2023 and Q4 2022 decreased 17.9 percent.
- 80 percent of primary policies renewing with the same limit and deductible experienced a price decrease; 7 percent had a price increase.
- Overall price change for primary policies renewing with same limit and deductible was down 10.0 percent.
- 96.8 percent of primary policies renewed with the same limit.
- 84.0 percent of primary policies renewed with the same deductible.
- 82.1 percent of primary policies renewed with the same limit and deductible.
- 96.8 percent of primary policies renewed with the same carrier.

**New York — February 5, 2024:** Aon Commercial Risk Solutions (U.S.) today reported public Directors' & Officers' ("D&O") liability pricing for the three months ended December 31, 2023.

Each quarter, Aon's Financial Services Group ("FSG") publishes a pricing index of D&O insurance that tracks premium changes relative to the base year of 2001.<sup>1,2</sup>

The Pricing Index decreased to 1.41 from 1.71 in the prior-year quarter, the seventh quarterly decrease since Q4 2017. The average cost of \$1 million in limits decreased 17.5 percent compared to the prior-year quarter.

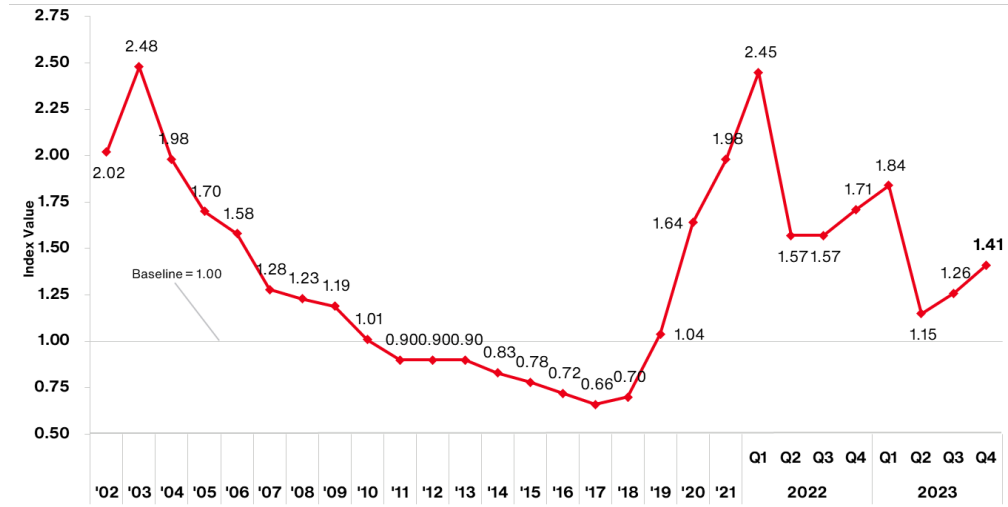
However, as in previous quarters, there were several prior-year IPO and DeSPAC (Business Combination) clients that renewed with considerable decreases in Q4 2023 as they move further away from the original transaction. Prior-year IPOs renewing in Q4 2023 decreased, on average, 45.9 percent, while prior-year DeSPAC transactions renewing in Q4 2023 decreased an average of 37.2 percent. Excluding these clients, the Pricing Index decreased 14.4 percent in Q4 2023.



# Quarterly Index of D&O Pricing

2002 Through Q4-2023 | Base Year: 2001 = 1.00

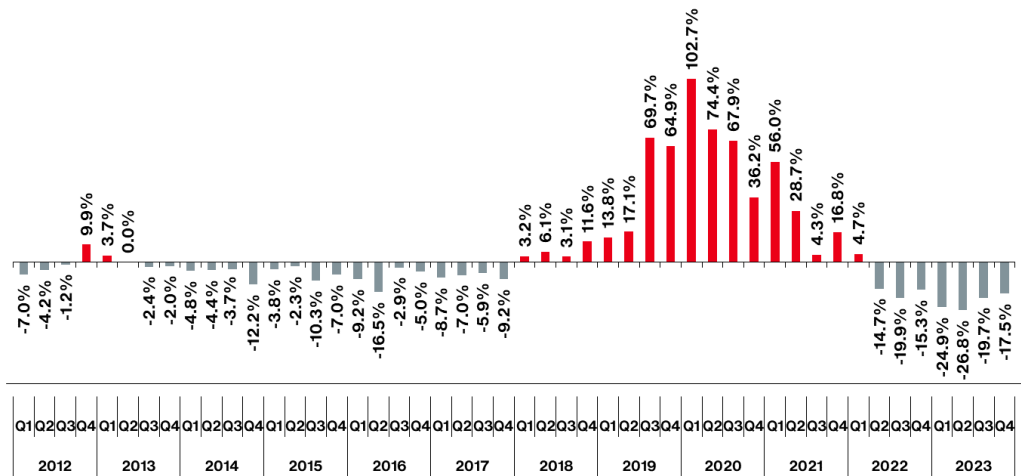
D&O Pricing Index  
▼17.5%  
Q4 2023: 1.41  
Q4 2022: 1.71



The decrease in Q4 2023 represents the seventh consecutive quarter of year-over-year price decreases, following a period of 17 quarterly pricing increases over the prior four years.

# Quarterly Year-Over-Year Price Changes

Q1-2012 Through Q4-2023





A better comparison, however, is to look at only those programs that renewed in both fourth-quarter 2023 and fourth-quarter 2022. On that basis, pricing decreased 17.9 percent.

It is instructive to note that the Pricing Index includes all limits purchased by publicly traded companies during the quarter. Changes in clients renewing during the quarter, changes in limits purchased or a shift in the mix of limits between ABC limits and Side-A-only limits can affect the overall performance of the index.

## Fourth-Quarter Primary Policies

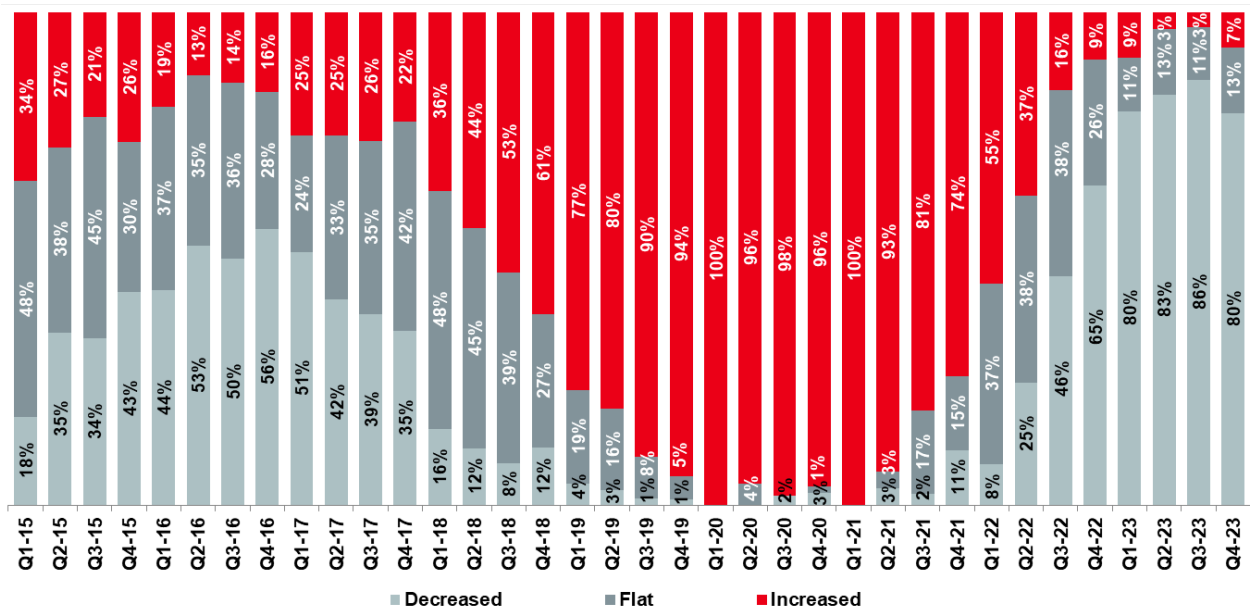
By looking at only primary policies in the quarter that renewed with the same limit and deductible as the prior year, we can eliminate some of that “noise” and focus only on those policies that renewed on a “like-for-like” basis.

For the fourth quarter, 80 percent of primary policies received a price decrease, 13 percent of policies renewed “flat,” and 7 percent of companies received a price increase. (Note: percentages may not sum to 100 percent due to rounding.)

## Primary Price Change Distribution

Same Limit and Deductible

Q1-2015 Through Q4-2023



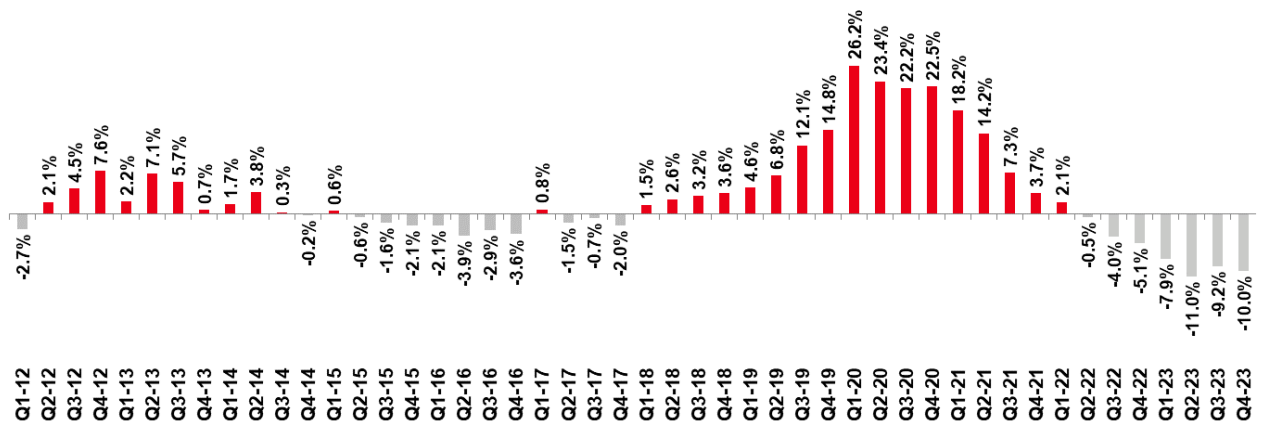


For primary policies renewing with the same limit and deductible, the average price decrease was 12.4 percent, while the average price increase was 7.0 percent. The overall price change for these primary policies in the fourth quarter was down 10.0 percent.

## Primary Price Changes

Same Limit and Deductible

Q1-2012 Through Q4-2023



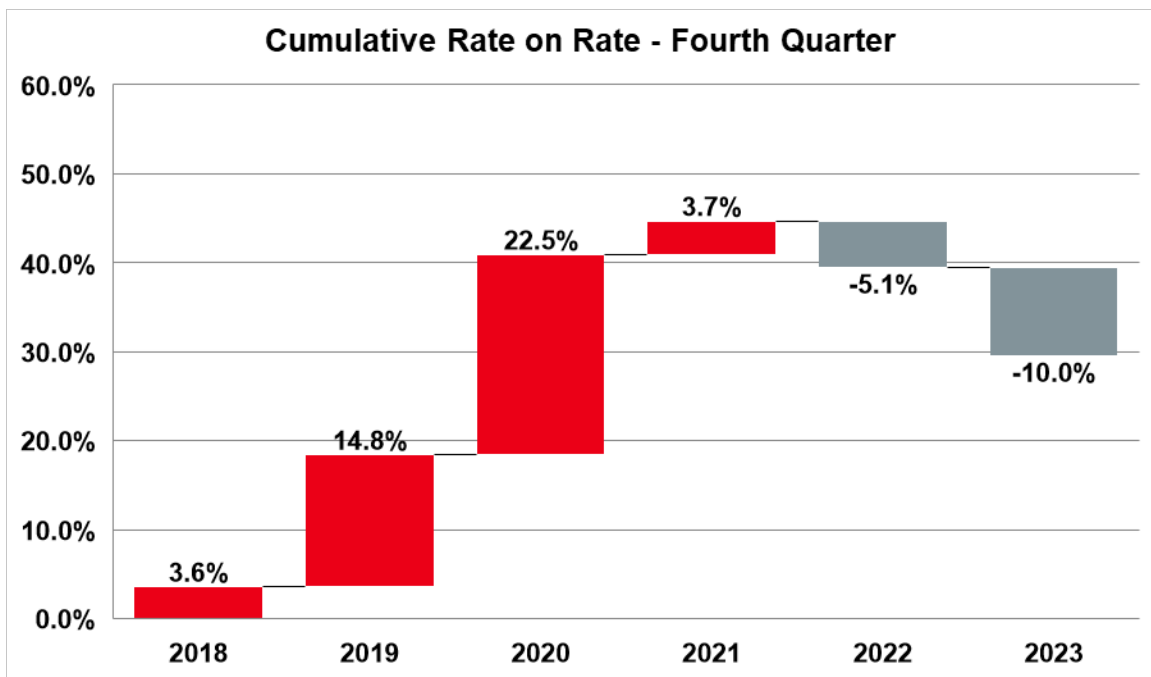


The fourth quarter was the second quarterly decrease in Q4 in the past six years, for primary policies that renewed with the same limit and deductible.

## Primary Rate-on-Rate Change

Same Limit and Deductible

Q4-2018 to Q4-2023





# The Quarter Deconstructed

## Same Limit and Deductible

### October 2023

In October, 92 percent of primary policies received a price decrease, 4 percent renewed “flat,” and 4 percent of companies received a price increase.

The average primary price decrease in October was 12.3 percent, while the average price increase was 15.6 percent. The overall price change for primary policies in October was a decrease of 11.4 percent.

### November 2023

In November, 80 percent of primary policies received a price decrease, 13 percent renewed “flat,” and 7 percent of companies received a price increase.

The average primary price decrease in November was 13.0 percent, while the average price increase was 5.4 percent. The overall price change for primary policies in November was a decrease of 10.5 percent.

### December 2023

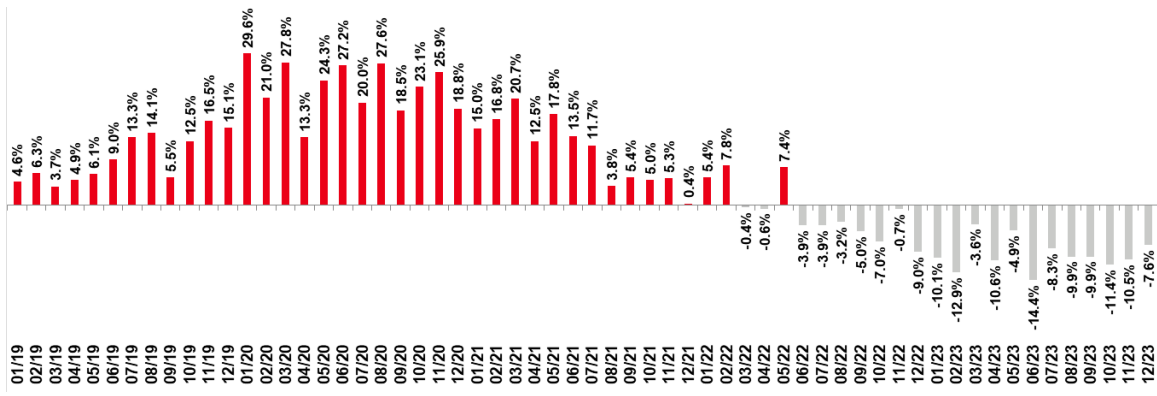
In December, 58 percent of primary policies received a price decrease, 29 percent renewed “flat,” and 13 percent of companies received a price increase.

The average primary price decrease in December was 11.4 percent, while the average price increase was 6.3 percent. The overall price change for primary policies in December was a decrease of 7.6 percent.

## Monthly Primary Price Change

### Same Limit and Deductible

### January 2019 – December 2023







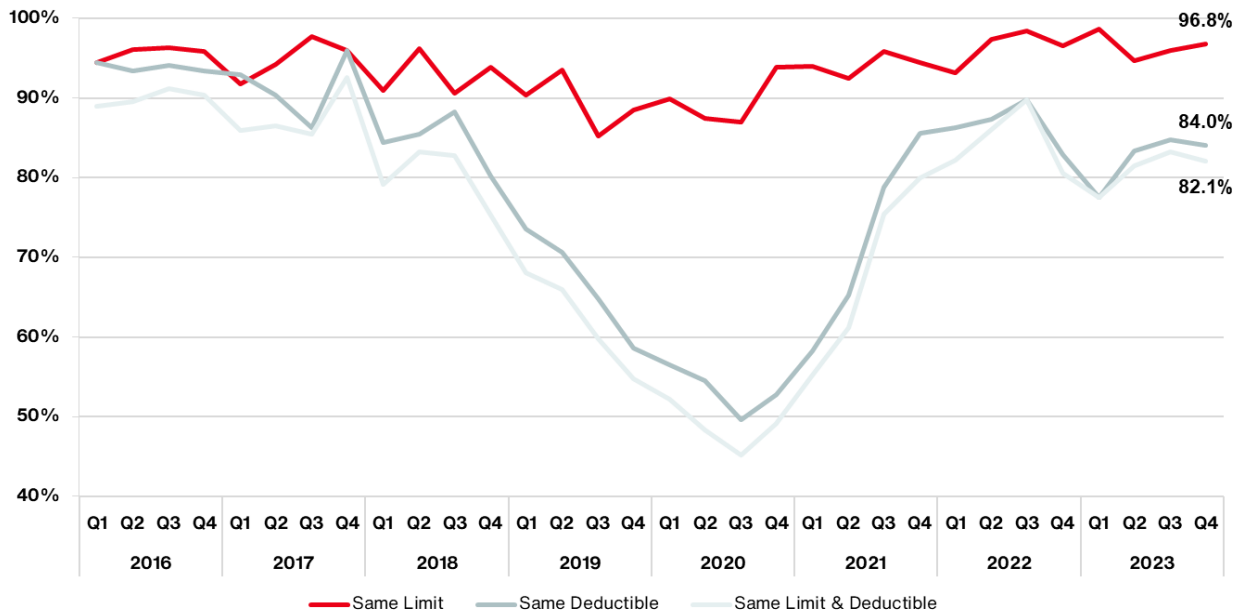
# Limit, Deductible and Carrier Changes

## Fourth Quarter

In fourth-quarter 2023, 96.8 percent of primary policies renewed with the same limit, and 84.0 percent of policies renewed with the same deductible.

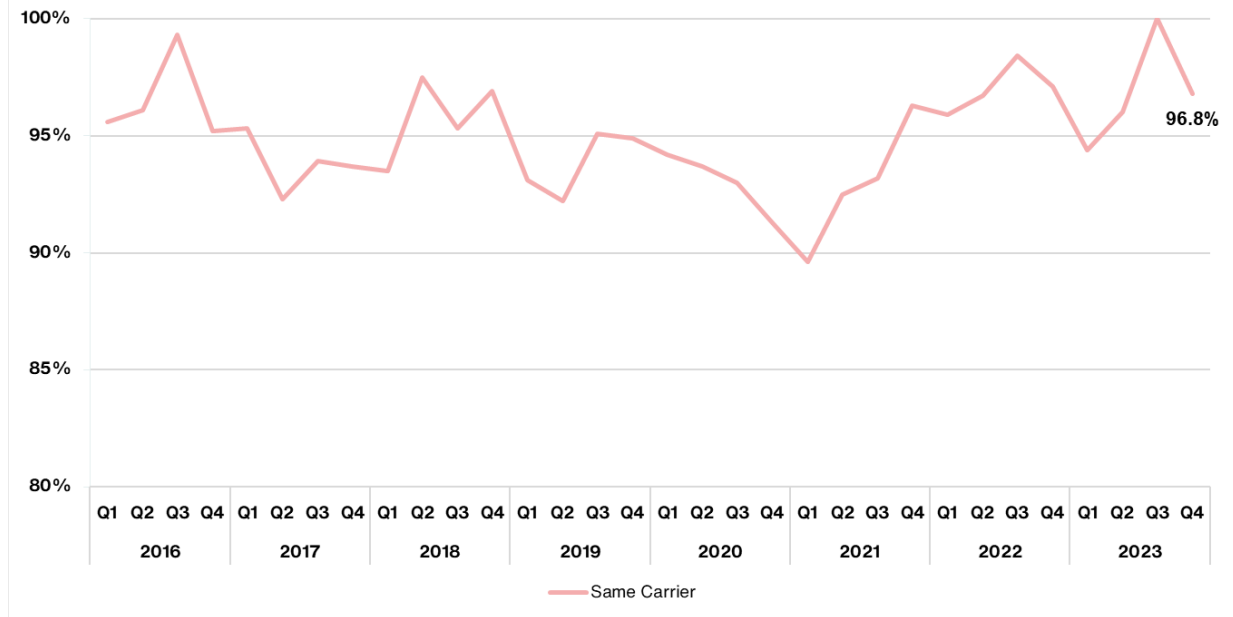
When we first started reporting on changes at the primary layer in January 2012, we focused on the clients that renewed with the same limit and same deductible as the prior year to eliminate any rate variability due to changing limits and/or deductibles. Historically, the percentage of clients renewing with the same limit was in the mid-to-high 90s, and the percentage of clients renewing with the same deductible was in the mid-to-low 90s.

Concurrently with the primary layer rate increases that started in first-quarter 2018, the percentage of clients renewing with both the same limit and deductible had been dropping steadily. After bottoming out in third-quarter 2020, that percentage has returned to more historical levels. For the fourth quarter of 2023, 82.1 percent of clients renewed with the same limit and deductible as the prior-year quarter.





Despite movements in limit and deductible levels, in the fourth quarter, 96.8 percent of primary policies renewed with the same carrier. Only 3.2 percent of policies renewed with a different primary carrier.



On average, primary policies that renewed with the same limit, deductible and carrier experienced a 10.5 percent premium decrease in the fourth quarter.



# Securities Class Action Litigation

## Fourth Quarter

According to Stanford Law School's Securities Class Action Clearinghouse, in Q4 2023, plaintiffs filed 53 new federal securities class action cases (filings) — four more than in the fourth quarter of 2022 (49), an increase of 8 percent.

## Full Year

The number of filings for the full year (213) represents an 8.1 percent increase compared to 2022 (197).

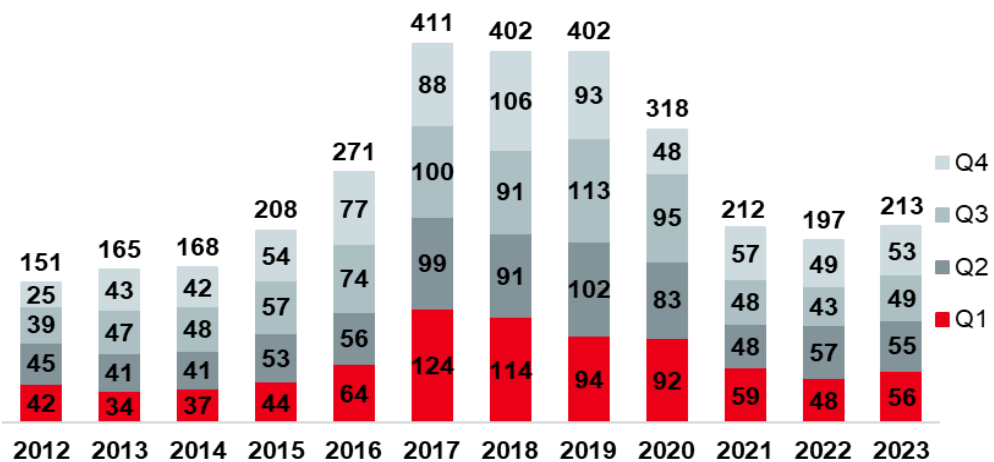
According to a recent report by Cornerstone Research, “Overall filing volume increased slightly in 2023 to 215\* filings from 208 in 2022. The number of “core” filings – those excluding M&A filings – also increased slightly. The size of core filings when measured by Maximum Dollar Loss (MDL) rose 27%, but when measured by Disclosure Dollar Loss (DDL) fell 46%.

The number of 1933 Act filings in state courts plummeted in 2023, falling to the lowest level since 2014. The combined number of federal Section 11 and state 1933 Act filings decreased 62% from 50 filings in 2022 to 19 filings in 2023. The number of special purpose acquisition company (SPAC), COVID-19-related, and cryptocurrency-related filings fell in 2023, and the 2023 Banking Turbulence trend category emerged<sup>3</sup>.”

**\*Note:** Cornerstone Research's numbers include state 1933 Act filings; Stanford Law School's Securities Class Action Clearinghouse numbers exclude state 1933 Act filings.

# Federal Securities Class Actions

## Q1-2012 Through Q4-2023



Source: Stanford Law School's Securities Class Action Clearinghouse



## Endnotes

<sup>1</sup>The Quarterly D&O Pricing Index is compiled using the proprietary policy data of the Aon Global Risk Insight Platform (“Aon GRIP”). The D&O Pricing Index is currently comprised of policy information almost 15,650 D&O programs for publicly traded companies between January 1, 2001, and December 31, 2023. The Index represents the weighted average cost of \$1,000,000 of D&O insurance (Total Premium / Total Limits). The average “rate per million” of limit includes D&O placements (A/B/C Coverage), Side-A-Only (non-indemnifiable loss) placements, and Side-A DIC (difference-in-conditions) placements. Programs with blended coverage (e.g., a shared limit for D&O and Fiduciary Liability combined) are excluded from the Index.

While the index data includes a small number of foreign companies that trade on a U.S. exchange, most of the companies are U.S. issuers traded on U.S. exchanges. As such, the data is representative of the U.S. D&O market and not the global D&O market.

Aon first produced the Quarterly D&O Pricing Index in Q2-2006. The base year (2001) is the average price per million for \$1,000,000 of D&O coverage for the 2001 calendar year.

<sup>2</sup> In the first quarter of 2008, FSG began adding S&P’s Compustat company data to our proprietary policy data. Some companies previously included in our pricing index are not included in this S&P data, primarily foreign issuers not traded on U.S. exchanges and some smaller U.S. companies (e.g., OTC:BB). These companies have been removed from the D&O Pricing Index, which resulted in some minor changes to prior results. We do not view these changes as material to the overall results of the Index.

<sup>3</sup> Cornerstone Research: Securities Class Action Filings – 2023 Year in Review

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## About Aon

[Aon plc](#) (NYSE: AON) exists to shape decisions for the better – to protect and enrich the lives of people around the world. Our colleagues provide our clients in over 120 countries with advice and solutions that give them the clarity and confidence to make better decisions to protect and grow their business.

## About Financial Services Group (“FSG”)

Aon’s Financial Services Group is the premier team of executive liability brokerage professionals, with extensive experience in representing buyers of complex insurance products including directors’ and officers’ liability, employment practices liability, fiduciary liability, fidelity, and professional liability insurance. FSG’s global platform assists clients in addressing their executive liability exposures across their worldwide operations. Aon’s U.S. Financial Services Group manages more than \$4.9 billion in annual premium, assists with approximately \$1 billion in claim recoveries annually and uses its unmatched data to support the diverse business goals of its clients.

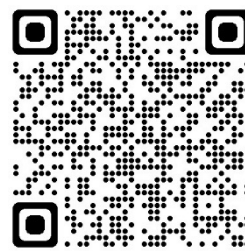
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