BRP

MANAGEMENT LIABILITY PRACTICE

4TH QUARTER 2022 UPDATE

After several years of hard market conditions, we have continued to see significant decreases in primary and excess Public Directors and Officers liability rates through Q3 2022, driven by supply/demand dynamics, as well as an overall correction in the rate and retention environment from previous years.

LAST YEAR:
2021 proved to be a record year for initial public offerings, with over 1,000 new listings (including 613 SPAC IPOs). Q1 2021 was particularly noteworthy, with nearly 400 businesses listing shares on public exchanges, raising $140 billion in capital. This increased activity on the IPO front created significant additional demand in a market already dealing with a constrained supply. Consequently, over the past 12-18 months, a large amount of new capacity has entered the D&O marketplace, attracted by the elevated premium rates and retentions prevalent across the space. More specifically, new insurance carriers have primarily entered the excess D&O market, adding substantial new capacity to the marketplace, and helping to stabilize rates for Insureds.

AND NOW:
So far, 2022 has stood in stark contrast to the first three-quarters in 2021, with only 168 IPOs in 2022 versus 781 through three quarters in 2021. This has translated into a much more favorable environment for Insureds, as carriers now need to focus on deploying their capital and meeting their revenue budgets by competing with existing public companies' programs due to the lack of new IPOs and SPACs.

Additionally, we have noted a change in carrier underwriting appetite, showing flexibility to reduce retentions and broaden contract language around previously restrictive terms.

Although the macroeconomic outlook remains somewhat unstable (global conflict, inflation, etc.), the BRP Management Liability Practice remains cautiously optimistic about the D&O rate environment through the remainder of 2022 and the start of 2023. Absent any significant exposure changes, we anticipate a reduction in renewal premiums for most Insureds through the remainder of the year and into first quarter of 2023. Furthermore, we believe that current D&O premium levels, particularly on the excess layers, should benefit from new market capacity, and will continue to drive material savings for many Insureds.

OUR RENEWAL RECOMMENDATIONS:

START EARLY:
The renewal process should begin at least 90-120 days prior to the renewal date, with a strategy discussion. Time is a critical tool in the renewal process, allowing for a broad marketing effort to ensure best-in-class pricing and terms.

RUN A COMPETITIVE MARKETING PROCESS:
BRP's Management Liability Practice recommends a broad marketing process for most Insureds in 2022. Host an underwriting call for Insurers to hear the company story directly from the executive team. The call will expose the firm to new D&O market entrants, while also serving to drive competition with incumbent insurance carriers.

REVIEW POLICY LANGUAGE:
Policy terms and conditions should be reviewed at each renewal. Carriers are increasingly open to negotiating material coverage enhancements in the current marketplace.

For more information, email the BRP Management Liability Practice:
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Or, Visit our website

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