

GLOBAL FINEX

Directors' and Officers' Liability Survey

2023

Welcome to the 2023 Global Directors' and Officers' Liability Survey Report from WTW in collaboration with Clyde & Co LLP. We have continued the international scope of our report, with responses from directors and risk managers in 40 countries around the world. As with last year, this report contains sections on risks for businesses, risks for directors, and various directors' and officers' liability (D&O) insurance coverage points.

We will be taking a new approach with reporting on the survey results this year. Our initial report will present the survey results and then we will be releasing a series of separate articles on various topics inspired by the survey results and looking at some of the survey results in more detail. Please check our [website](#) for the latest articles.

We added a few new topics to the survey this year and removed some that we thought were no longer so relevant. Cyber continues to dominate the responses, with cyber crime and having sufficient cyber expertise appearing as top risks in several regions and across several industries. The importance of climate change as a director risk continues to fluctuate, going down in importance in some regions and industries and significantly up in others. It is now the number one risk for directors in the Energy and Utilities sector. We also added a question about the importance of having ESG coverage under a D&O policy to our survey for the first time, to try and reflect the increasing public discussion around this topic. However, only in Australasia did respondents consider this was in the top 7 of coverage issues.

We hope this gives you an interesting taster of the results from the survey and whets your appetite to find out more. If you have any questions about the results or the topics we asked about, or if you have any suggestions for questions we could cover next year, please do contact any of the people shown in the contact pages at the end of this report.



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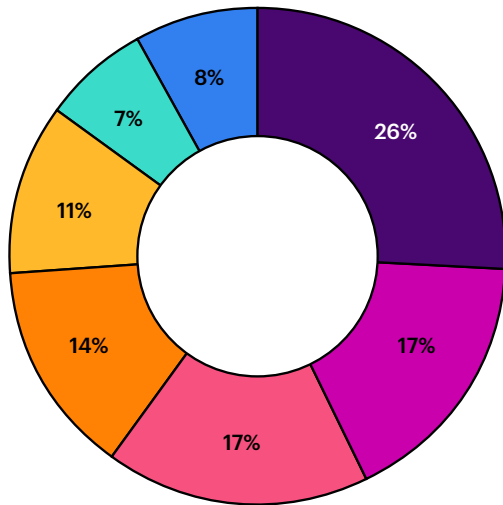
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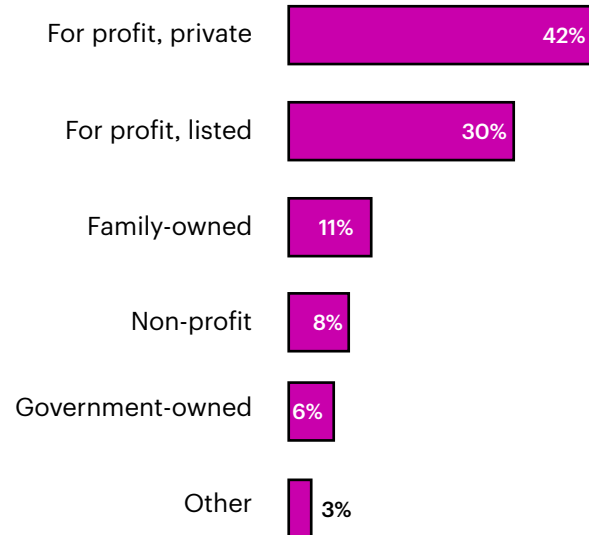
About the Survey

Global responses

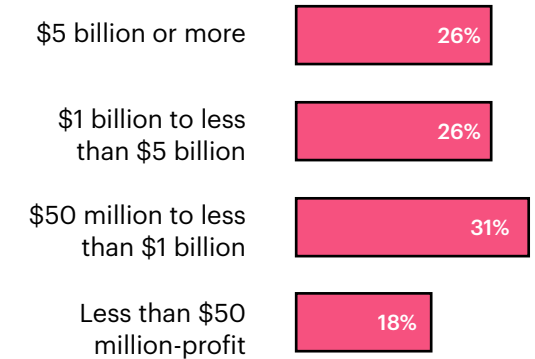
Industry distribution



Company type



Revenue (USD)



Note: Revenues in EUR, GBP, JPY and CNY were converted to USD with rates as of November 8, 2022. Percentages may not add up to 100% due to rounding. 'Don't know' responses have been excluded.
Source: 2022/2023 Directors' and Officers' Liability Insurance Survey

Response by country

(Hover over the map to see percentage breakdown)



Note: Percentages may not add up to 100% due to rounding
Source: 2022/2023 Directors' and Officers' Liability Insurance Survey



**Business operation
risks**

Business operation risks

Historical comparison

How significant do you think the following issues are for your organisation's business operations?

//

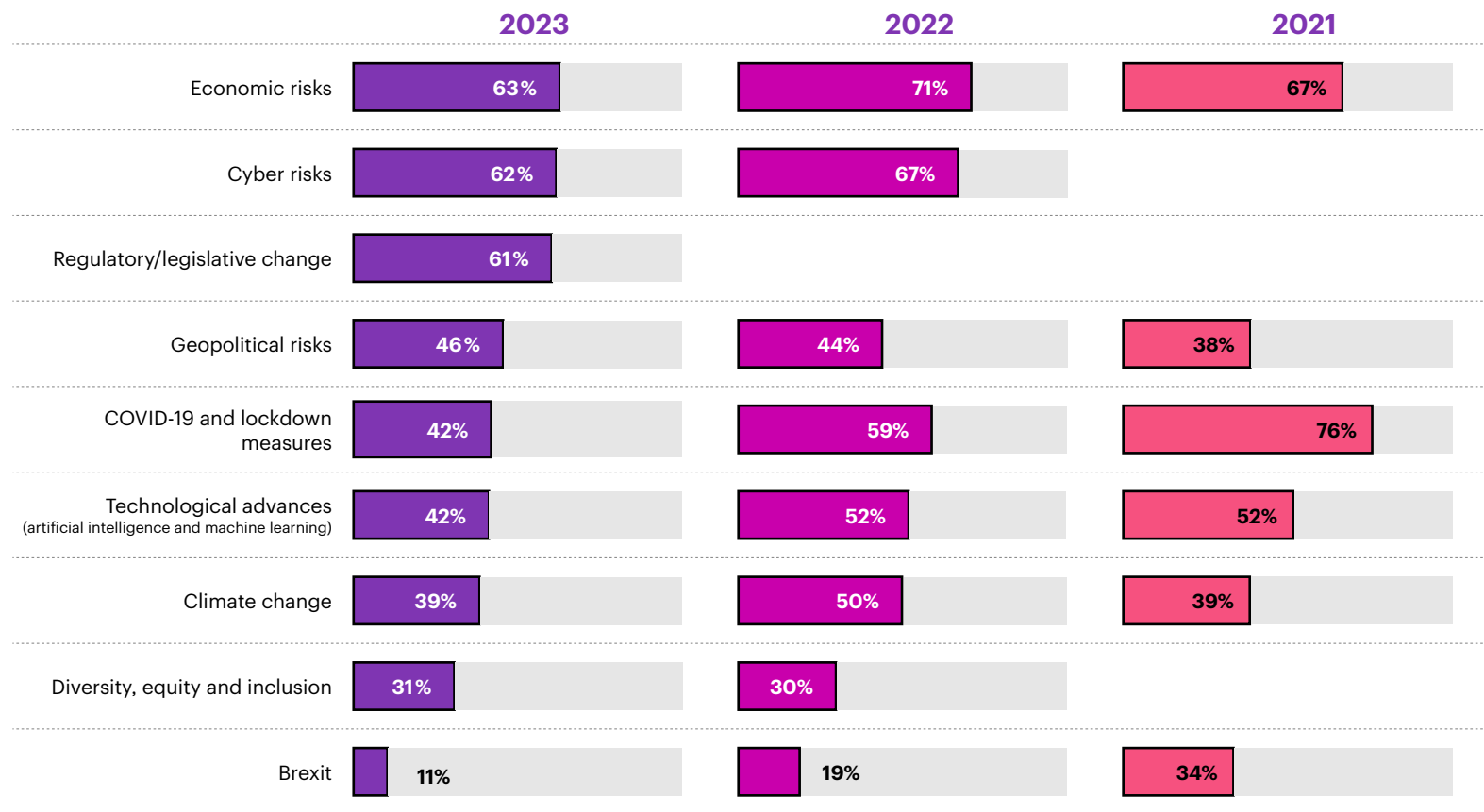
Whilst it is not surprising that economic risks remain the no.1 risk, the fact that significantly fewer directors see them as significant is.

In terms of emerging risks, regulatory/legislative change comes straight in at number 3 for its first year, whilst geopolitical risks have increased in importance (up to 4th place from 6th last year) although perhaps less than might have been expected given the Ukraine conflict and other international tensions.

COVID-19 and Brexit risks, while still in the top 5 continue to decrease in importance.

Despite significant public and regulatory attention climate change has fallen in both position and percentage. Another high profile risk ESG, Diversity, Equity and Inclusion (DE&I) is still not highly ranked.

//



Sample: All survey participants. Note that the 2021 survey had a more limited geographic scope.
Source: 2021-2023 Directors' and Officers' Liability Insurance Survey

(% of 'very' or 'extremely significant')

Business operation risks

By region

How significant do you think the following issues are for your organisation's business operations?

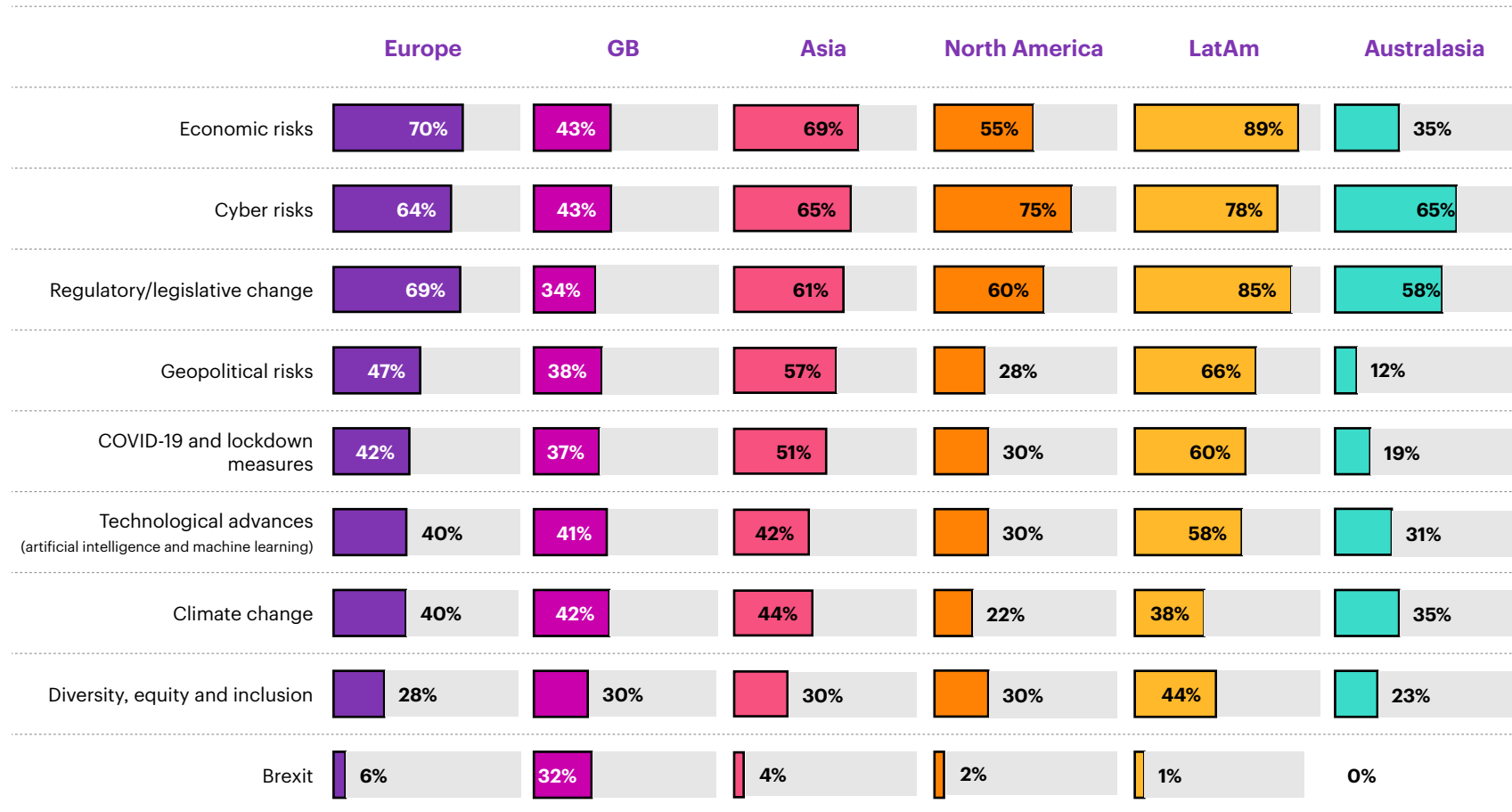
//

Turning to regional differences, climate change risk is down across the board except in the US where it was flat, with the most significant drops being in Europe and Asia.

Economic risks are now seen as less significant by GB directors (a large fall). There is a similar position in North America and LatAm but European directors have taken a different view.

Geopolitical risk is a high risk (4) for Europe, Asia and LatAm directors whilst directors in North America are less concerned.

//



Sample: All survey participants
Source: 2022/2023 Directors' and Officers' Liability Insurance Survey

(% of 'very' or 'extremely significant')

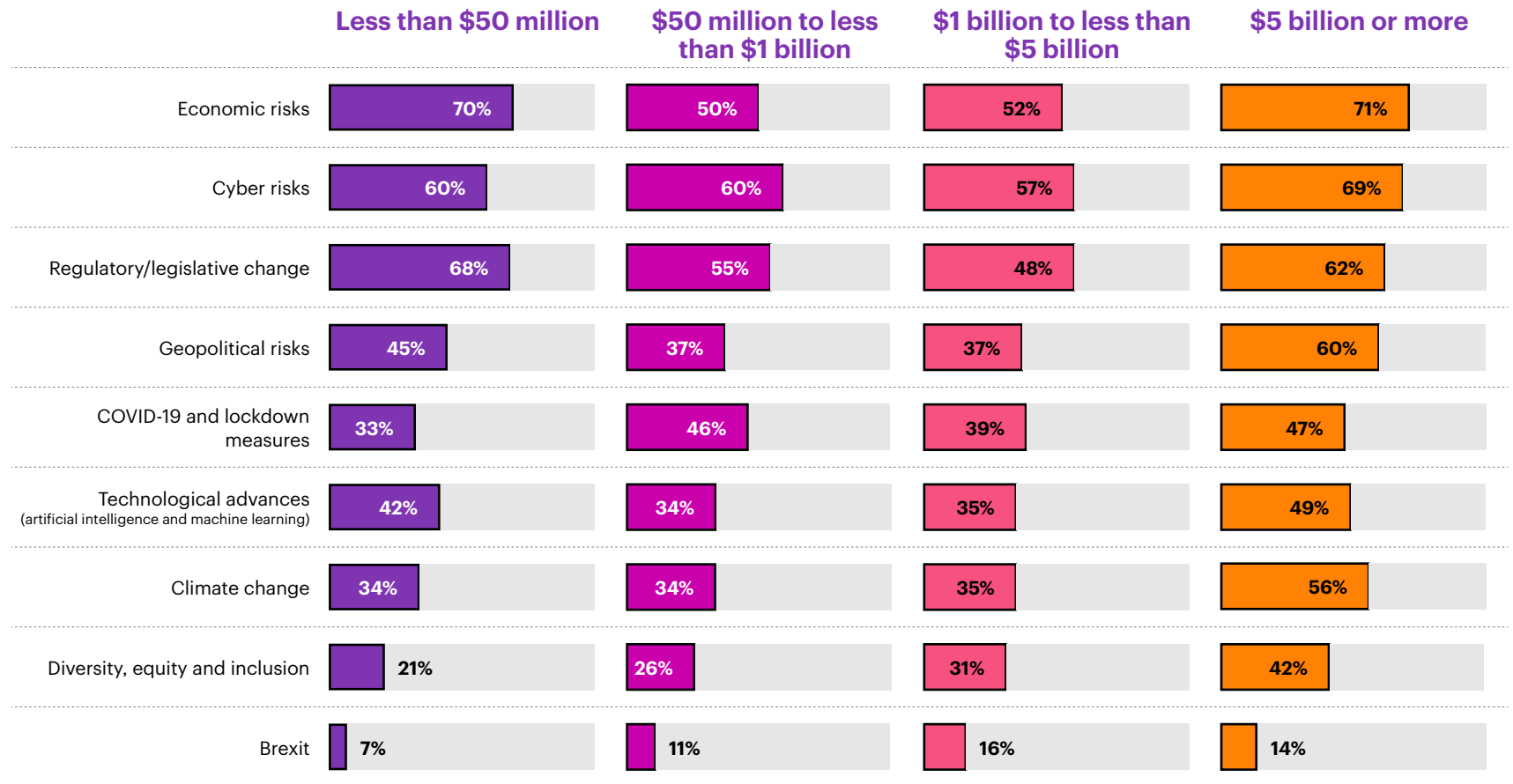
Business operation risks

By revenue

How significant do you think the following issues are for your organisation's business operations?

// There are marked differences between how directors and risk managers at small companies are rating risk compared to those at large enterprises. Regulatory/legislative change is considered more of a risk at small companies than cyber.

Other notable risks, which are more highly rated at the largest companies, include climate change and geopolitical risks.



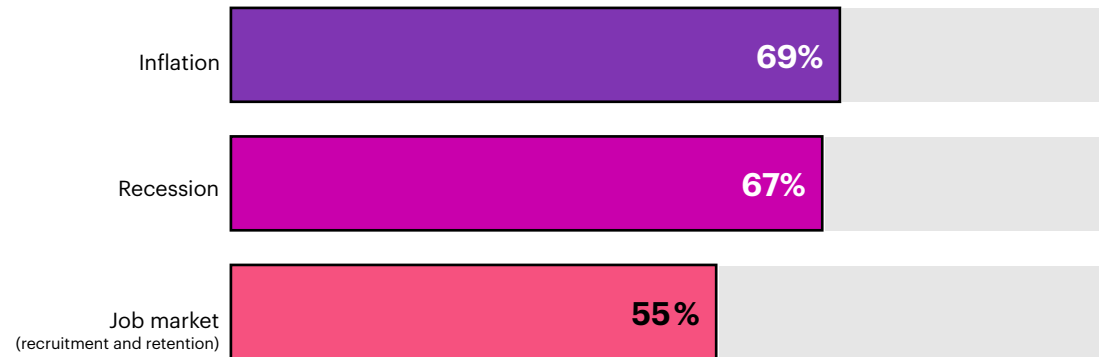
Sample: All survey participants
 Source: 2022-2023 Directors' and Officers' Liability Insurance Survey

(% of 'very' or 'extremely significant')

Which economic risks are important?

How significant do you think the following economic risks are for your organisation's business operations?

“ This year we sought more detail on which economic risks respondents are focussed on. This showed an equality between inflation and recession, with less focus on the job market. Having said that, the figures show that more than 50% of directors focussing on economic risks considered the risk relating to the job market is at least significant. ”



Sample: Only those who believe economic risks are at least significant
Source: 2022/2023 Directors' and Officers' Liability Insurance Survey

(% of 'very' or 'extremely significant')



Risks for Directors and Officers

Top 7 risks for Directors and Officers

Historic comparison

//

We asked directors about 28 risks (with supplementary questions on some of the risk areas). Detailed results from the 28 risks can be found in the Appendix.

Overall the results are very consistent with last year; cyber attack, data loss and cyber extortion (the latter being a new risk area identified last year) continuing to dominate the highest ranks. In percentage terms, cyber risks are all significantly above other risks.

//

	2018	2019	2021	2022	2023
#1	Risk of data loss/ data breach ▲	Data loss ▶	Cyber attack ▲	Cyber attack ▶	Cyber attack ▶
#2	Cyber attack ▶	Cyber attack ▶	Data loss ▼	Data loss ▶	Data loss ▶
#3	Regulatory and other investigations ▼	Regulatory risk (including threat of fines and penalties) ▲	Regulatory risk (including threat of fines and penalties) ▶	Cyber extortion ▲	Cyber extortion ▶
#4	Health and safety legislation ▲	Litigation risk ▲	Risk of a health and safety/environmental prosecutions safety legislation ▲	Regulatory risk (including threat of fines and penalties) ▼	Regulatory risk (including threat of fines and penalties) ▶
#5	Regulatory risk (including threat of fines and penalties) ▼	Focus of a social media campaign ▲	Risk of employment claims ▲	Risk of a health and safety/environmental prosecutions safety legislation ▼	Health and safety prosecutions ▶
#6	Class action lawsuits against the company and its directors	Your organisation being a victim of a crime ▲	Focus of a social media campaign ▼	Your organisation being a victim of a crime ▲	Bribery and corruption ▲
#7	Employment practices claims	Risk of a health and safety/environmental prosecutions safety legislation ▼	Your organisation being a victim of a crime ▼	Bribery and corruption ▲	Your organisation being a victim of a crime ▼

▲ Risk ranking has increased for D&O's ▼ Risk ranking has decreased for D&O's ▶ Risk ranking has remained the same for D&O's

Sample: All survey participants. Note: Ranked based on percentage 'very' or 'extremely significant' for each risk
Source: 2011-2023 Directors' and Officers' Liability Insurance Surveys

Top 7 risks for Directors and Officers

By region

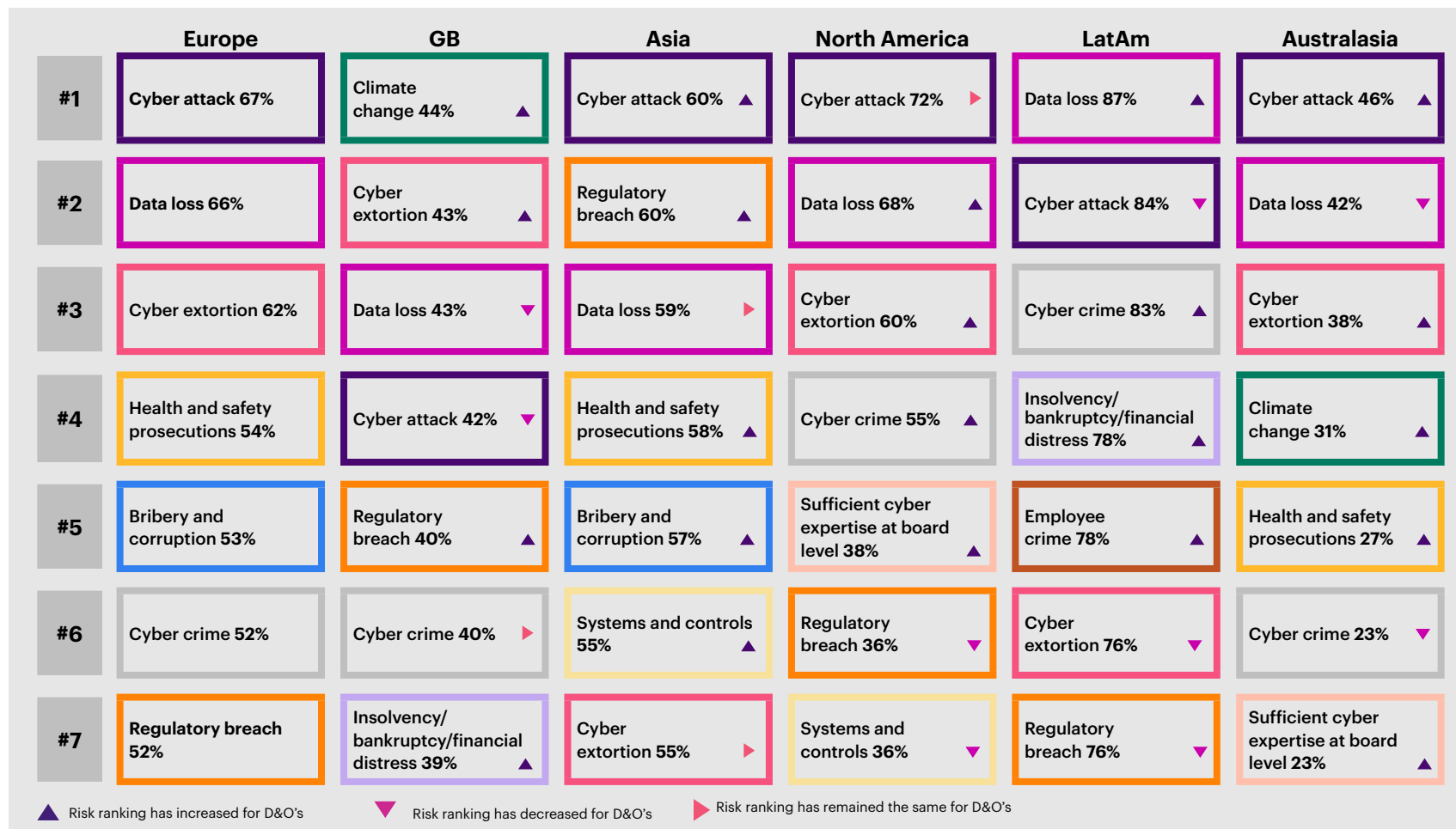
//

Climate change is in the top 5 for GB and Australia, having not appeared in the top 5 for any region last year (although it was for some industries and for larger companies).

The GB change is remarkable, although it should be noted that all of the top 7 risks in GB are within 5% of each other.

It is interesting to see insolvency make its way into the top 7 for GB and LatAm.

Notable new risks include systems and controls, sufficient cyber expertise at board level and employee crime and cyber crime as a sub-set of crime risks.



//

Sample: All survey participants. Note: Ranked based on percentage 'very' or 'extremely significant' for each risk
 Source: 2022-2023 Directors' and Officers' Liability Insurance Surveys

Top 7 risks for Directors and Officers

By revenue

//

The respondent demographic shows a fairly even split across these revenue categories.

We included cyber crime and sufficient cyber expertise at board level as new risks for the 2022-23 survey and they have immediately made their way into the top 7 risks.

While cyber-related issues make up the top 3 (and number 4 or 5 for some revenue categories where cyber crime is included) across the board, it is interesting to see climate change as the number 4 risk for directors of the largest companies and to see that health & safety only makes it into the top 7 for two of the revenue categories.

//

	Less than \$50 million	\$50 million to less than \$1 billion	\$1 billion to less than \$5 billion	\$5 billion or more
#1	Data loss 64%	Cyber attack 59% ▲	Cyber attack 53% ▶	Cyber attack 64% ▶
#2	Cyber attack 61%	Data loss 57% ▼	Data loss 52% ▶	Data loss 63% ▶
#3	Cyber extortion 52%	Cyber extortion 55% ▶	Cyber extortion 49% ▶	Cyber extortion 60% ▶
#4	Cyber crime 51%	Health and safety prosecutions 48% ▲	Regulatory breach 48% ▲	Climate Change 53% ▲
#5	Insolvency/bankruptcy/financial distress 51%	Cyber crime 48% ▼	Cyber crime 45% ▶	Bribery and corruption 52% ▲
#6	Regulatory breach 47%	Regulatory breach 43% ▶	Insolvency/bankruptcy/financial distress 43% ▲	Regulatory breach 52% ▼
#7	Sufficient cyber expertise at board level 46%	Bribery and corruption 43% ▲	Focus of a social media campaign 42% ▲	Health and safety prosecutions 52% ▲

▲ Risk ranking has increased for D&O's ▼ Risk ranking has decreased for D&O's ▶ Risk ranking has remained the same for D&O's

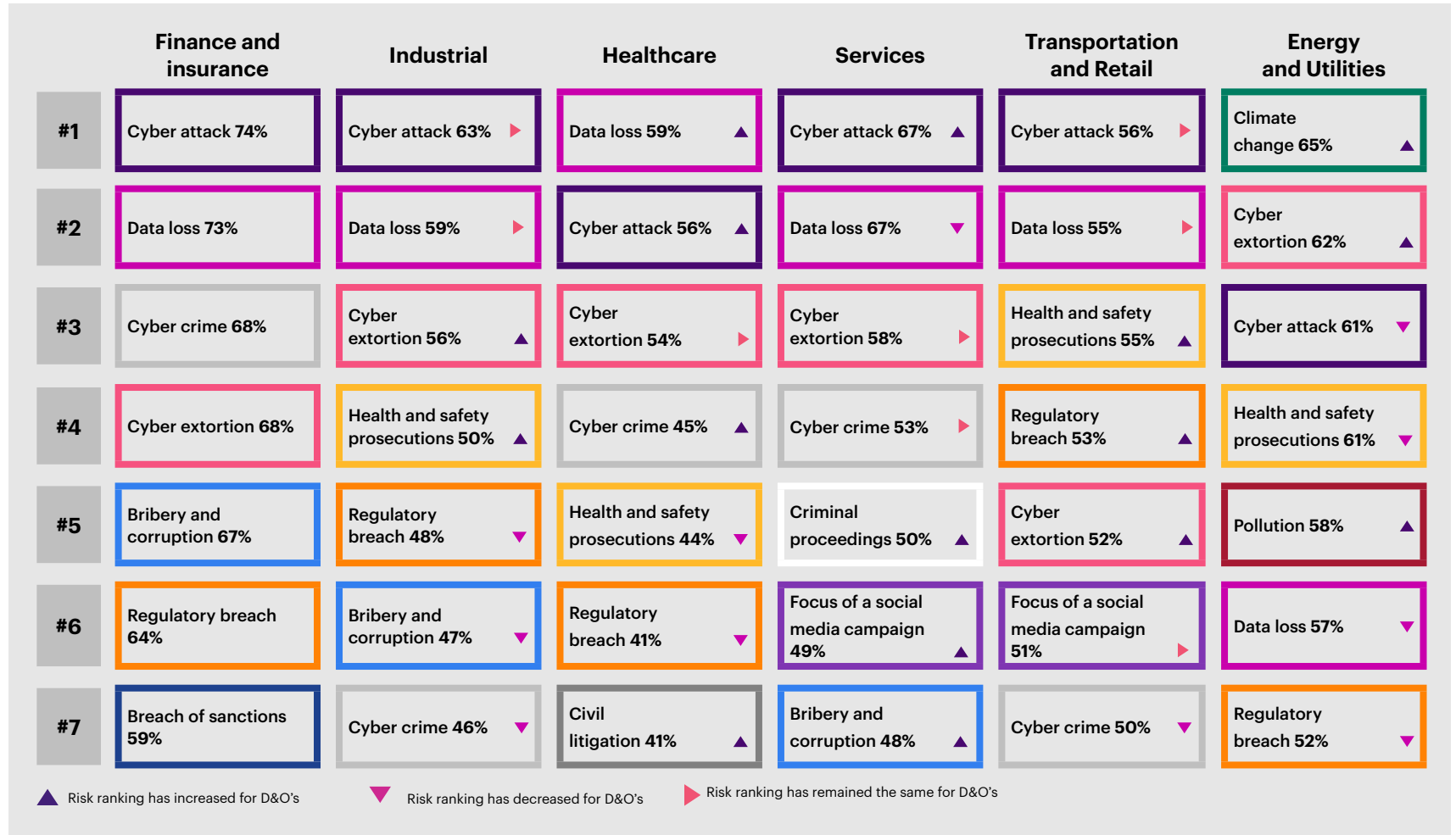
Sample: All survey participants. Note: Ranked based on percentage 'very' or 'extremely significant' for each risk
 Source: 2011-2023 Directors' and Officers' Liability Insurance Surveys

Top 7 risks for Directors and Officers

By industry

Climate change is now at the top of the risks for directors in the Energy & Utilities sector who have also identified pollution as a key risk. Interestingly other sectors have taken a different view with neither risk ranking in the Top 7.

While we previously asked about legal risks, we didn't previously have a general civil litigation category, so it is interesting to see that in its first year it has made it into the top 7 risks for the Healthcare sector.



Sample: All survey participants. Note: Ranked based on percentage 'very' or 'extremely significant' for each risk
 Source: 2022-2023 Directors' and Officers' Liability Insurance Survey



**Directors' and
Officers' insurance
coverage**

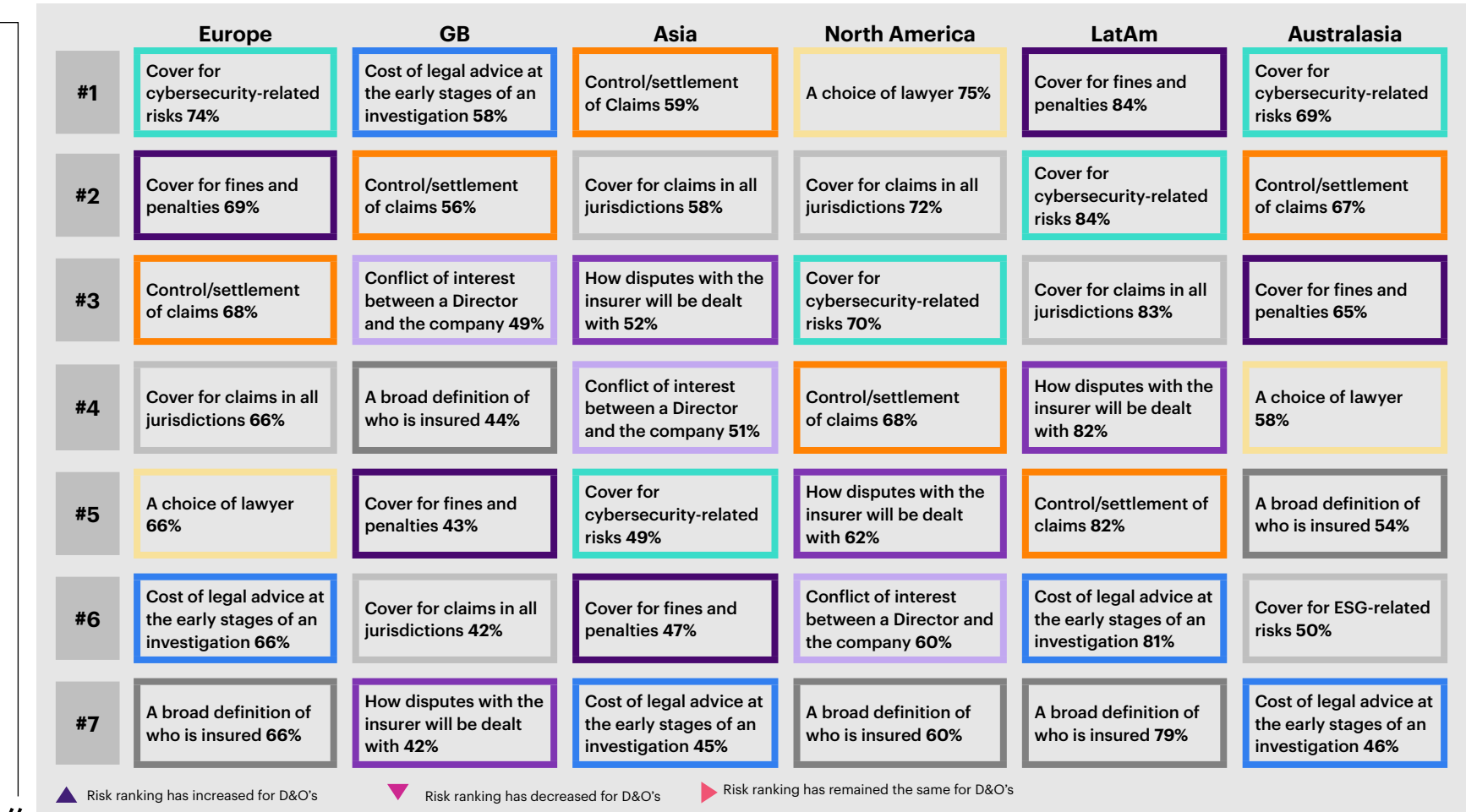
Top 7 Directors' and Officers' insurance coverage areas

By region

//

Cover for ESG-related risks is a new coverage area for the 2022-23 survey and only appears as a top 7 issue in Australasia. This is interesting given the amount of attention ESG has had in some areas.

Note that cover for fines and penalties is in the top 7 for every region except North America (where it was in the top 7 last year). We have seen some insurers seek to restrict or even remove this cover, so it continues to be a coverage point to watch.

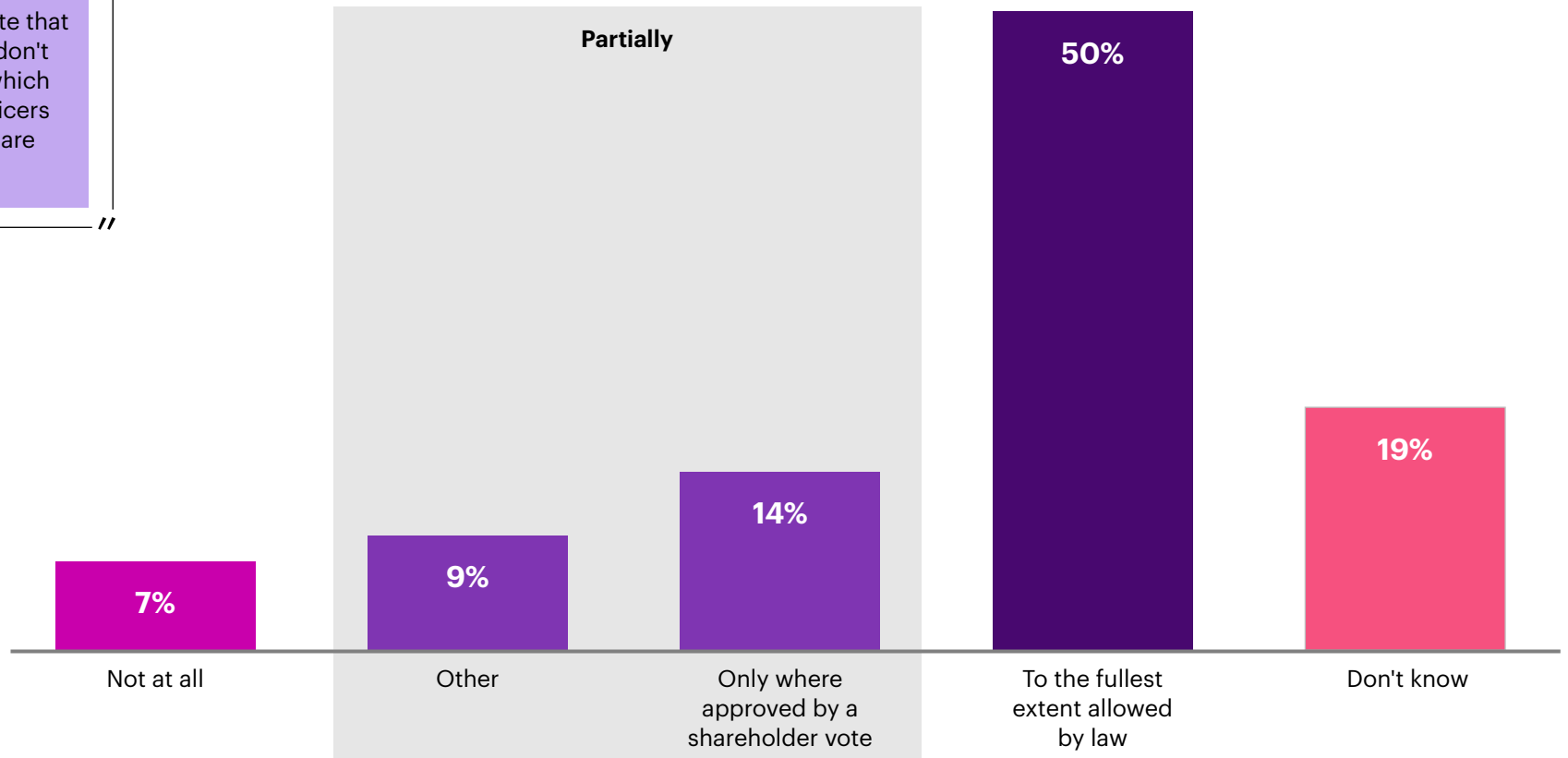


Sample: All survey participants. Note: Ranked based on percentage 'very' or 'extremely significant' important for each risk
 Source: 2022-2023 Directors' and Officers' Liability Insurance Surveys

Indemnification

To what extent does your organisation agree to indemnify its directors and officers?

“ It is interesting to note that 19% of respondents don't know the extent to which the directors and officers of their organisation are indemnified. ”



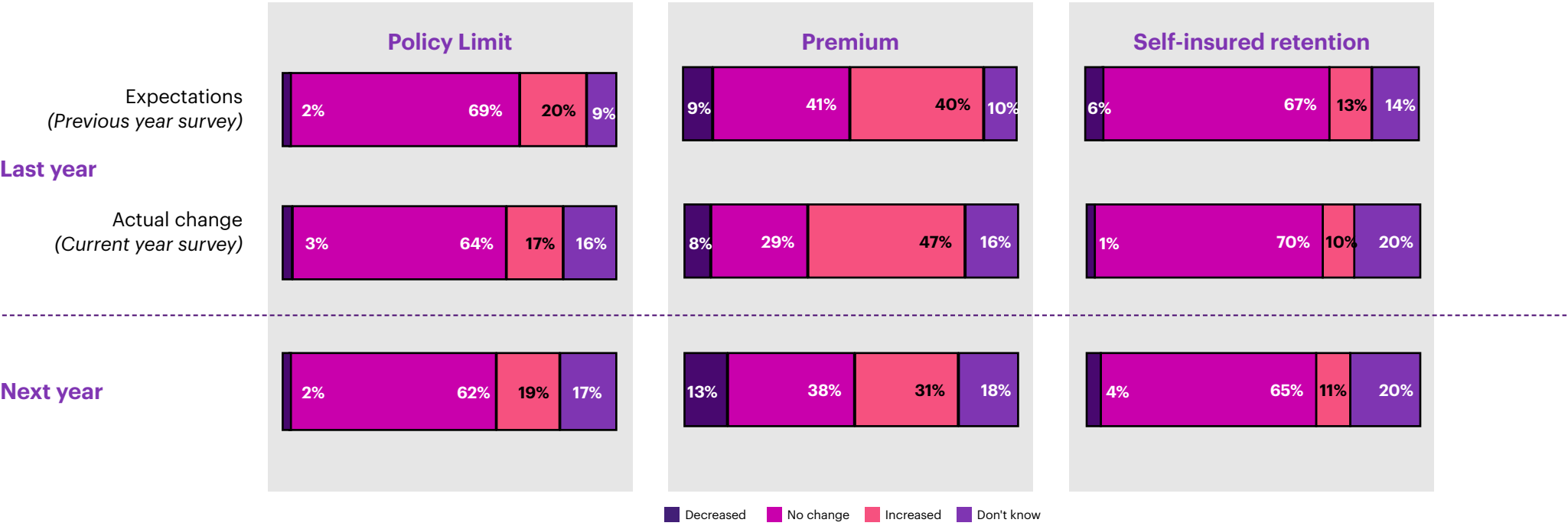
Source: 2022/2023 Directors' and Officers' Liability Insurance Survey

Insurance policy – limits, retentions and premiums

How have the following aspects of your organisation's Directors' and Officers' liability insurance policy changed or are expected to change?

Interesting to see that a significant percentage of respondents say their premium went up in 2022-23; this is a 7% increase than the number of respondents who expected an increase in the previous year's survey.

These results also demonstrate the softening in the market, although the positions in the US and GB markets are considerably better than this for clients who are not experiencing claims.



Some outlier results have been excluded. Note: Percentages may not add up to 100% due to rounding. Source: 2021/2022 and 2022/2023 Directors' and Officers' Liability Insurance Survey.

Alternative Risk Transfer options

Has your organisation implemented or is it considering implementing any of the following Alternative Risk Transfer options for its Directors' and Officers' liability risk?

// Given the softening in the D&O market, it is somewhat surprising to see the number of respondents who say that they are considering alternative solutions to D&O insurance.

Captive insurance vehicle for Side A
(directors' and officers' non-indemnified loss)



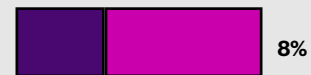
Captive insurance vehicle for Sides B/C
(company exposure for indemnifying directors and officers and for securities claims)



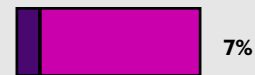
Indemnification trust for director liabilities



Personal Guarantee of director liabilities from CEO/major shareholder/Other



Other Alternative Risk Transfer option



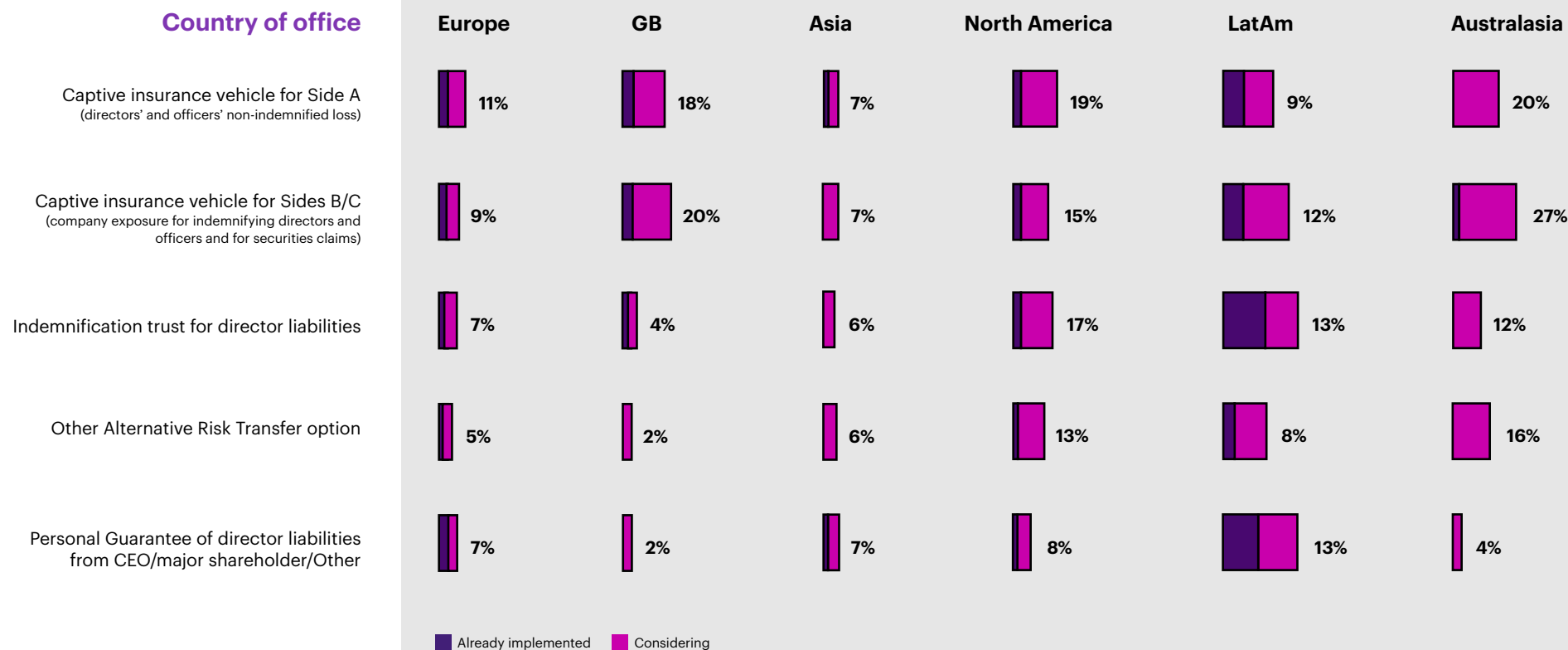
Legend: ■ Already implemented ■ Considering

Some outlier results have been excluded.

Source: 2022/2023 Directors' and Officers' Liability Insurance Survey

Alternative Risk Transfer options

Has your organisation implemented or is it considering implementing any of the following Alternative Risk Transfer options for its Directors' and Officers' liability risk?



Some outlier results have been excluded.

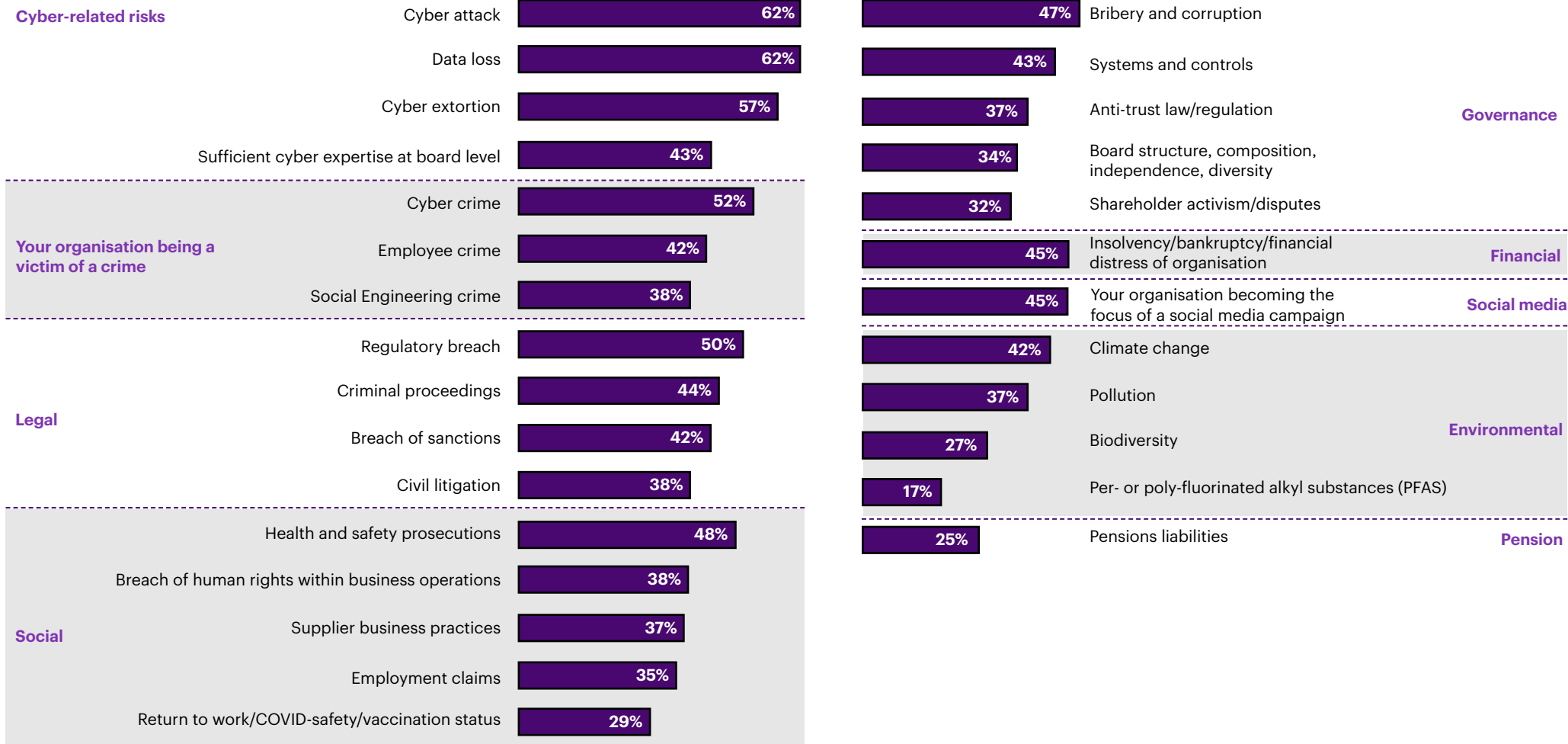
Source: 2022/2023 Directors' and Officers' Liability Insurance Survey

The background image shows a long, straight asphalt road stretching into the distance through a valley. The sun is low on the horizon to the right, creating a warm, golden glow and long shadows. The sky is filled with soft, wispy clouds. The valley floor is covered in dense green vegetation, and the hillsides are also covered in trees. A decorative graphic on the left side consists of three overlapping rectangular shapes with diagonal hatching: a pink one at the bottom, a purple one in the middle, and a magenta one at the top. A white rectangular box is centered within the purple shape, containing the text.

Appendix - detailed results

Directors' and Officers' risk ranking overview

How significant are the following risks for the directors and officers of your organisation (whether financially or reputationally)?



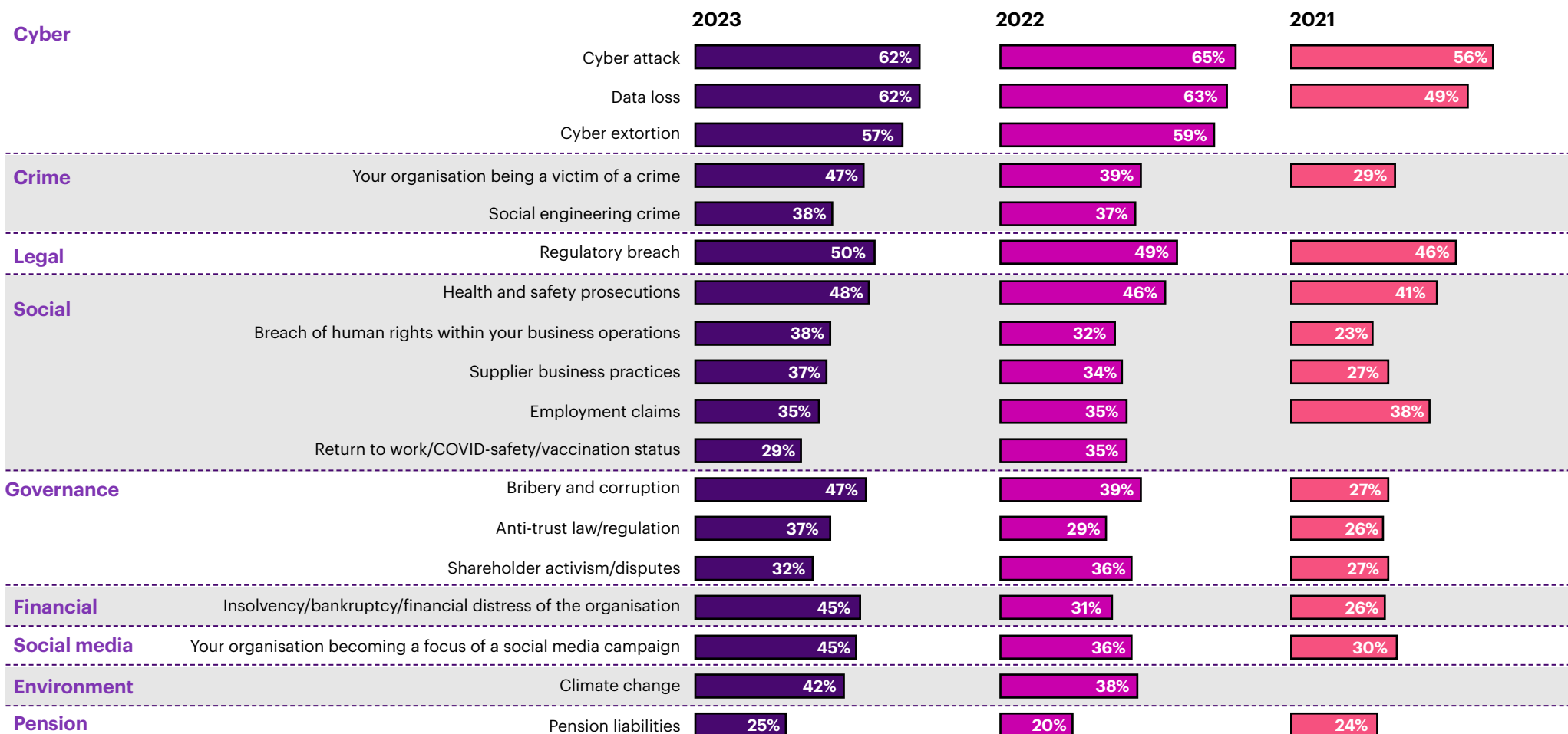
Sample: All survey participants

Source: 2022/2023 Directors' and Officers' Liability Insurance Survey

(% of 'very' or 'extremely significant')

Directors' and Officers' risk ranking overview

How significant are the following risks for the directors and officers of your organisation (whether financially or reputationally)?



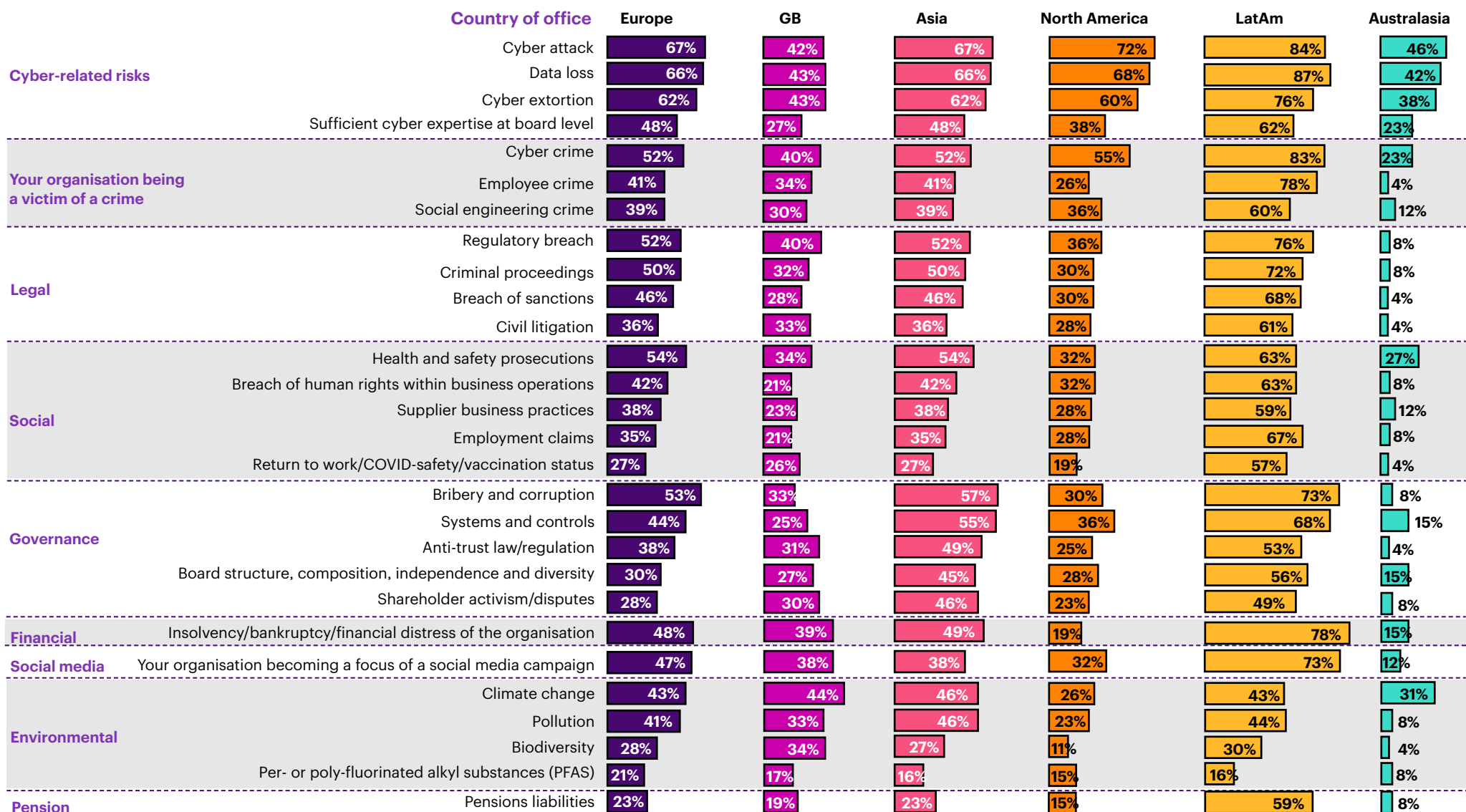
Sample: All survey participants.

Source: 2022-2023 Directors' and Officers' Liability Insurance Survey

(% of 'very' or 'extremely significant')

Directors' and Officers' risk ranking overview – by region

How significant are the following risks for the directors and officers of your organisation (whether financially or reputationally)?



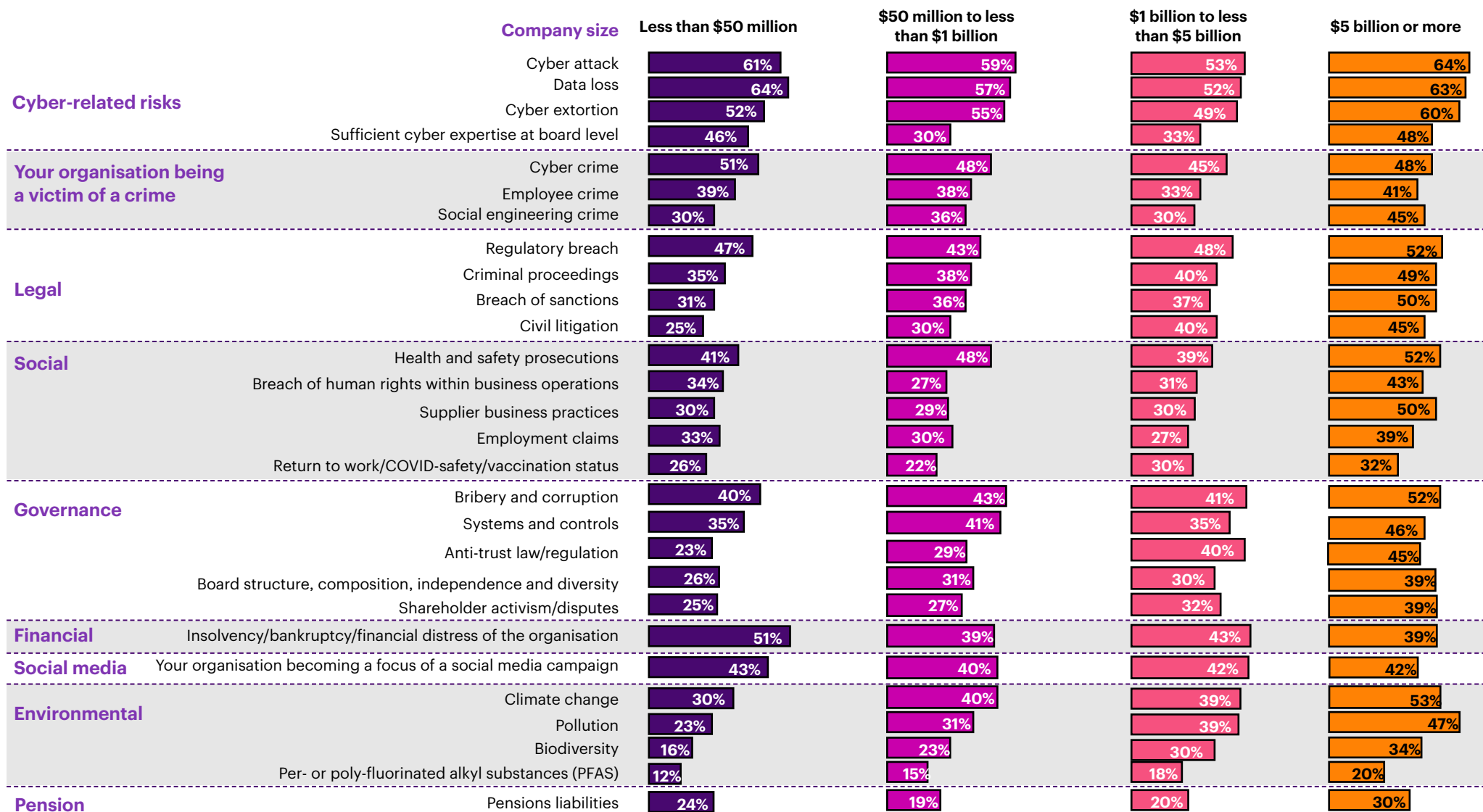
Sample: All survey participants.

Source: 2022-2023 Directors' and Officers' Liability Insurance Survey

(% of 'very' or 'extremely significant')

Directors' and Officers' risk ranking overview – by revenue

How significant are the following risks for the directors and officers of your organisation (whether financially or reputationally)?



Sample: All survey participants.

Source: 2022-2023 Directors' and Officers' Liability Insurance Survey

(% of 'very' or 'extremely significant')

Directors' and Officers' risk ranking overview – by industry

How significant are the following risks for the directors and officers of your organisation (whether financially or reputationally)?

	Industry	Finance and insurance	Industrial	Healthcare	Services	Transportation & Retail	Energy & Utilities
Cyber-related risks	Cyber attack	74%	63%	56%	67%	56%	61%
	Data loss	73%	59%	59%	67%	55%	57%
	Cyber extortion	68%	56%	54%	58%	52%	62%
	Sufficient cyber expertise at board level	61%	42%	32%	44%	37%	39%
Your organisation being a victim of a crime	Cyber crime	68%	46%	45%	53%	50%	52%
	Employee crime	50%	39%	30%	44%	41%	43%
	Social engineering crime	46%	35%	28%	42%	39%	38%
Legal	Regulatory breach	64%	48%	41%	47%	53%	52%
	Criminal proceedings	54%	43%	29%	50%	42%	48%
	Breach of sanctions	62%	44%	17%	37%	40%	49%
	Civil litigation	48%	36%	41%	39%	38%	39%
Social	Health and safety prosecutions	35%	50%	44%	44%	55%	61%
	Breach of human rights within business operations	42%	39%	29%	32%	40%	39%
	Supplier business practices	36%	37%	32%	37%	37%	43%
	Employment claims	36%	33%	32%	33%	39%	38%
	Return to work/COVID-safety/vaccination status	29%	25%	32%	30%	33%	30%
Governance	Bribery and corruption	67%	47%	37%	48%	42%	52%
	Systems and controls	58%	39%	29%	45%	40%	48%
	Anti-trust law/regulation	46%	39%	32%	36%	34%	43%
	Board structure, composition, independence and diversity	45%	32%	24%	41%	24%	39%
	Shareholder activism/disputes	40%	34%	27%	32%	26%	36%
Financial	Insolvency/bankruptcy/financial distress of the organisation	56%	43%	34%	47%	49%	42%
Social media	Your organisation becoming a focus of a social media campaign	51%	34%	29%	49%	51%	52%
Environmental	Climate change	39%	40%	41%	30%	46%	65%
	Pollution	26%	41%	22%	25%	47%	58%
	Biodiversity	17%	26%	22%	17%	36%	43%
	Per- or poly-fluorinated alkyl substances (PFAS)	14%	21%	15%	13%	17%	23%
Pension	Pensions liabilities	26%	25%	17%	25%	28%	23%

Sample: All survey participants.

Source: 2022-2023 Directors' and Officers' Liability Insurance Survey

(% of 'very' or 'extremely significant')

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