Feature

# Soft market masks rising risks in Asia's D&O sector


Experts say that a correction may start to become apparent over the next 12 months

**Blake Evans-Pritchard**
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### (Re)in Summary

- Asia's D&O insurance market is currently soft, with high competition, abundant capacity, and falling premiums benefiting buyers.
- But insurers warn that pricing is not keeping up with growing risks
- D&O risks are long-tail, meaning claims from the Covid-19 era and major events may not yet be fully visible, creating hidden exposure for insurers.
- Experts expect a gradual market correction within the next year or two, as rising claims and losses force a return to more adequate pricing.


Asia's directors' and officers' (D&O) insurance market remains firmly in soft territory, with abundant capacity and falling rates continuing to favour buyers.

However, insurers are warning of mounting risks that may not be fully reflected in the pricing. This includes rising regulatory scrutiny, geopolitical uncertainty and delayed claims development.

The global D&O market enjoyed a brief period of high profitability a few years ago, as the Covid-19 pandemic triggered a dramatic increase in premiums. In certain markets, such as Australia, rates may have climbed 100-200% – or even more.

The sharp rise in D&O pricing attracted new entrants to the market, as carriers sought to capitalise on what appeared to be improved margins. However, Joel Pridmore, co-managing director and co-founder of Frontier—a financial lines managing general agent (MGA)—says that pricing was just catching back up to adequacy.

"The industry's reported results, claims that 'we're running the best we've ever had', are misleading," says Pridmore. "New entrants, without historical knowledge or a proper premium base, are now operating in a market that isn't even adequate. Over just two years, adequacy has been reduced by 30–60%, leaving portfolios highly exposed to claims and litigation that aren't properly priced."

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Joel Pridmore
Co-managing director and co-founder of Frontier

**Capacity and competition**

Right now there is ample capacity, with multiple players chasing the same risks.

"The D&O market remains highly competitive, with significant capacity available from both regional insurers and the London market," says Kevin Leung, chief underwriting officer, APAC for Markel. "This is largely because Asia continues to offer attractive underwriting opportunities, supported by a comparatively less litigious environment than many Western jurisdictions."

Increased appetite from London-based markets has intensified competition, resulting in rate reductions even for risks with claims paid in the past couple of years, he says.

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Kevin Leung
APAC chief underwriting officer for Markel

Competition is also increasing beyond price, with insurers broadening coverage by introducing more tailored products for clients. For instance, in February, Beazley launched a new product combining D&O with cyber coverage.

"We saw significant overlap within these two product lines – and some gaps too," says Nicholas Tey, regional manager, Asia, international financial lines at Beazley. "Some financial institutions that brought cyber and professional indemnity cover as separate products encountered challenges in terms of knowing which product covers which risk, so we wanted to simplify things."

> "This is the time for innovation... as the market softens, new products will inevitably be introduced."

Nicholas Tey
Regional manager, Asia, international financial lines at Beazley

By offering more tailored solutions, Beazley aims to expand its D&O reach in APAC, particularly among mid-sized and small enterprises.

"This is the time for innovation, and we are quite comfortable with how this new product has been rolled out," says Tey. "As the market softens, new products will inevitably be introduced. As the market hardens, we typically see less of this."

**Rising risks**

However, this oversupply of capacity in the market is causing what Andrew Taylor, head of cyber and financial lines, Asia for MSIG, describes as "a paradox in the market".

"Rising regulatory scrutiny, geopolitical uncertainty, and technological disruption should be pushing premiums up, but instead we've seen sustained softening over the past 18 months," he says. "There has likely been a degree of underpricing, particularly when you factor in social inflation and the growing complexity of global risks. As an industry, we're not yet fully reflecting those costs in pricing."

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Andrew Taylor
Head of cyber and financial lines, Asia for MSIG

Social inflation is particularly evident in the Australian markets, where rising litigation has been tracking the American model. But Taylor says it is also present in other APAC markets, including Southeast Asia.

"While we haven't seen it directly in our own portfolio, anecdotal evidence suggests claims are taking longer to settle and costing more when they do," says Taylor. "That dynamic drives up payouts, erodes available capacity and raises real questions about whether premiums are truly adequate for the risks being underwritten."

> *"Many portfolios are exposed to claims that aren't properly accounted for, and once these losses materialise, the impact could be significant."*

Joel Pridmore
Co-managing director and co-founder of Frontier

D&O is a long-tail line, with claims often taking years to emerge and even longer to settle. This means that some of the risks that were onboarded during the Covid-19 years have not yet surfaced.

During the pandemic, claims activity was also temporarily suppressed as regulators shifted focus elsewhere. As markets return to normal, insurers say a backlog of regulatory actions and claims is beginning to build, adding to concerns about future loss development.

"Until you get those really large losses – which are coming – the market will continue to underprice risk," says Pridmore. "Many portfolios are exposed to claims that aren't properly accounted for, and once these losses materialise, the impact could be significant."

Pridmore points to the collapse of Greensill Capital as an example of how latent risk can sit on D&O books for years before emerging gradually. The British financial services company collapsed five years ago, but the impact is still reverberating in the market.

"These claims date back years, yet are only now approaching resolution, showing just how long liabilities can sit in the system," says Pridmore. "With aggressive plaintiffs pursuing multi-billion dollar damages, outcomes like this could significantly impact insurers that haven't adequately priced for such exposures."

But the picture is mixed.

Markel's Leung says that, while competition is pushing rates too low for firms that have US exposure (even for risks paid in the past couple of years), the claims experience for domestically-traded accounts without US exposure remains favourable.

"The non-US exposed segment continues to be viewed as the more attractive part of the overall market," he says.

However, he adds that "determining true rate adequacy in the domestic segment can be challenging due to the more limited availability of publicly reported claims data".

Leung favours adopting a diversified approach that supports sustainable profitability, relying on data, analytics and technology to sharpen underwriting insight.

"It's about balancing ambition with discipline and growing where it makes sense while staying true to rate adequacy and risk selection," he says.

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Kevin Leung
Chief underwriting officer for Markel

**Correction coming**

The market may be reaching a tipping point, though.

"Shock events, whether it's the financial crisis or more recent disruptions, force the market back to fundamentals," says Taylor. "They remind underwriters of the importance of accumulation, portfolio balance, and maintaining a technical price."

He adds that if loss activity continues to build, the market will eventually reset.

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"There's always a point where insurers have to return to technical pricing," says Taylor. "We're likely near the bottom of rate reductions now. We would expect any correction will be gradual rather than a sharp shock, and it will probably be led by the larger US and European markets rather than Asia."

Pridmore says he expects the "realisation of underpriced risks" to become apparent in 2026, with a potential market turn in 2027.

"Until then, many portfolios will remain exposed, particularly those managed by less experienced players chasing top-line growth," he says.


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