



# Quarterly D&O Pricing Index

First Quarter 2021

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## **AON REPORTS FIRST QUARTER 2021 PUBLIC D&O PRICING**

**AVERAGE PRICE PER MILLION, ADJUSTED FOR CERTAIN ITEMS, INCREASED 30.0 PERCENT IN THE FIRST QUARTER**

**AVERAGE CHANGE FOR PRIMARY POLICIES WITH SAME LIMIT AND SAME DEDUCTIBLE INCREASED 18.2 PERCENT**

### **First Quarter Key Metrics and Highlights**

- Average price per million increased 56.0 percent compared to the prior year quarter; price per million, adjusted for certain items, increased 30.0 percent
- Price per million for clients that renewed in both Q1 2021 and Q1 2020 increased 15.1 percent
- No primary policies renewing with the same limit and deductible experienced a price decrease – 100 percent had a price increase
- Overall price change for primary policies renewing with same limit and deductible was up 18.2 percent
- 94.0 percent of primary policies renewed with the same limit
- 58.2 percent of primary policies renewed with the same deductible
- 55.2 percent of primary policies renewed with the same limit and deductible
- 89.6 percent of primary policies renewed with the same carrier

**New York – May 3, 2021** – Aon Commercial Risk Solutions (U.S.) today reported public Directors' & Officers' ("D&O") liability pricing for the three months ended March 31, 2021.

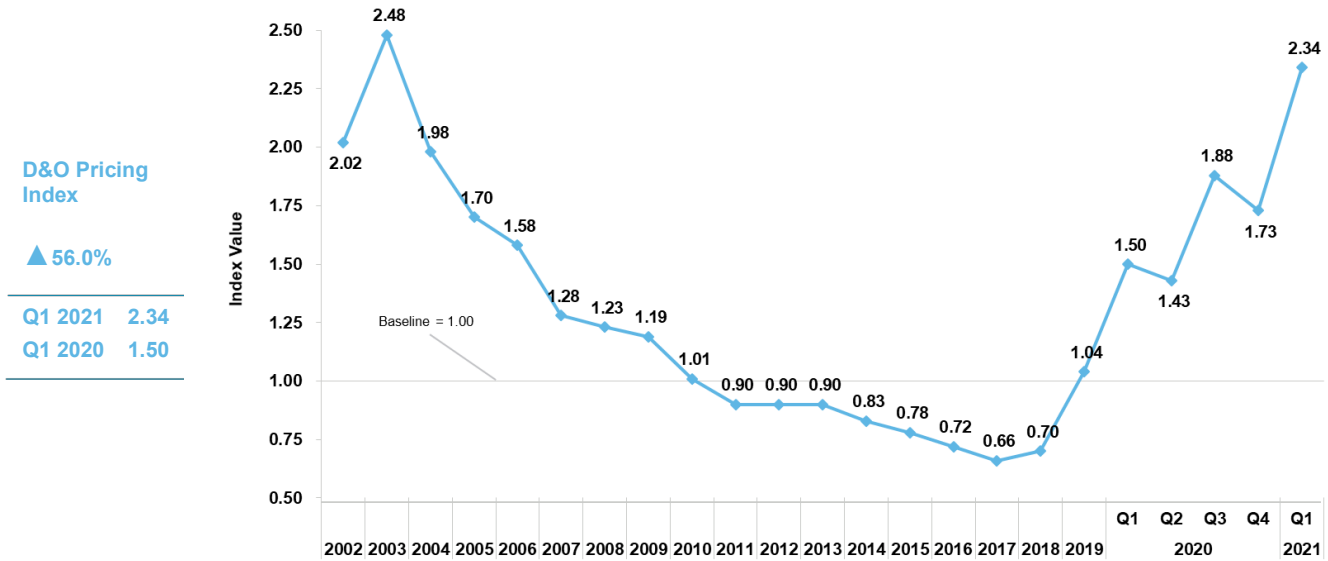
Each quarter, Aon's Financial Services Group ("FSG") publishes a pricing index of D&O insurance that tracks premium changes relative to the base year of 2001.<sup>1,2</sup>

The Pricing Index increased to 2.34 from 1.50 in the prior year quarter. The average cost of \$1 million in limits increased 56.0 percent compared to the prior year quarter.

However, the Q1 2021 results were significantly impacted by Initial Public Offering (IPO) programs, with nearly one third of the placements in Q1 being IPOs. Excluding these IPOs, the Pricing Index increased 30.0 percent in Q1 2021.

## QUARTERLY INDEX OF D&O PRICING

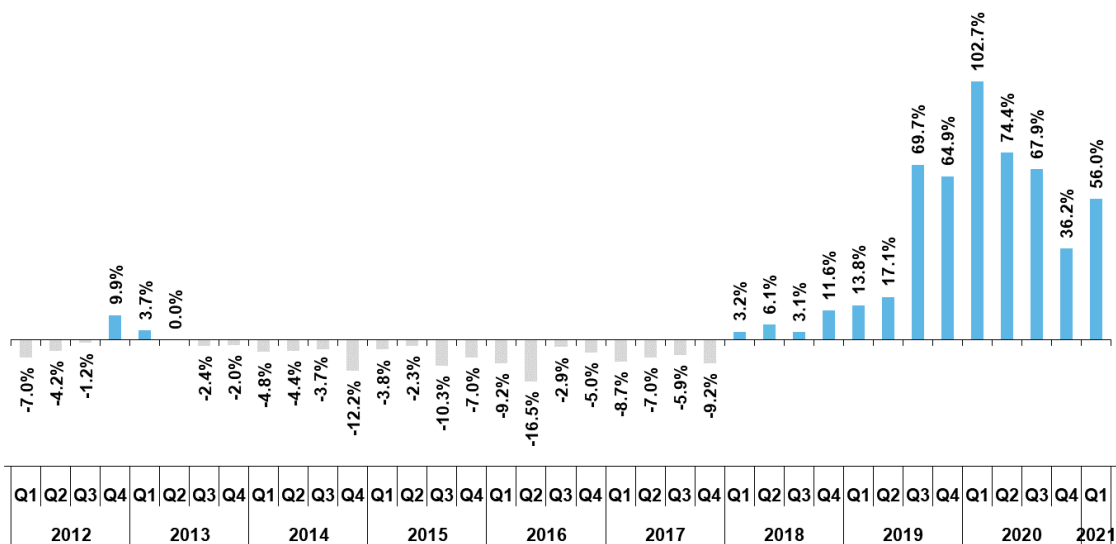
2002 through Q1-2021 | Base Year: 2001 = 1.00



The increase in Q1 2021 represents the thirteenth consecutive quarter of year-over-year price increases, following a period of eighteen quarterly pricing decreases over the prior four years.

## QUARTERLY “YEAR-OVER-YEAR” PRICE CHANGES

Q1-2012 through Q1-2021



A better comparison, however, is to look at only those programs that renewed in both Q1 2021 and Q1 2020. On that basis, pricing increased 15.1 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.

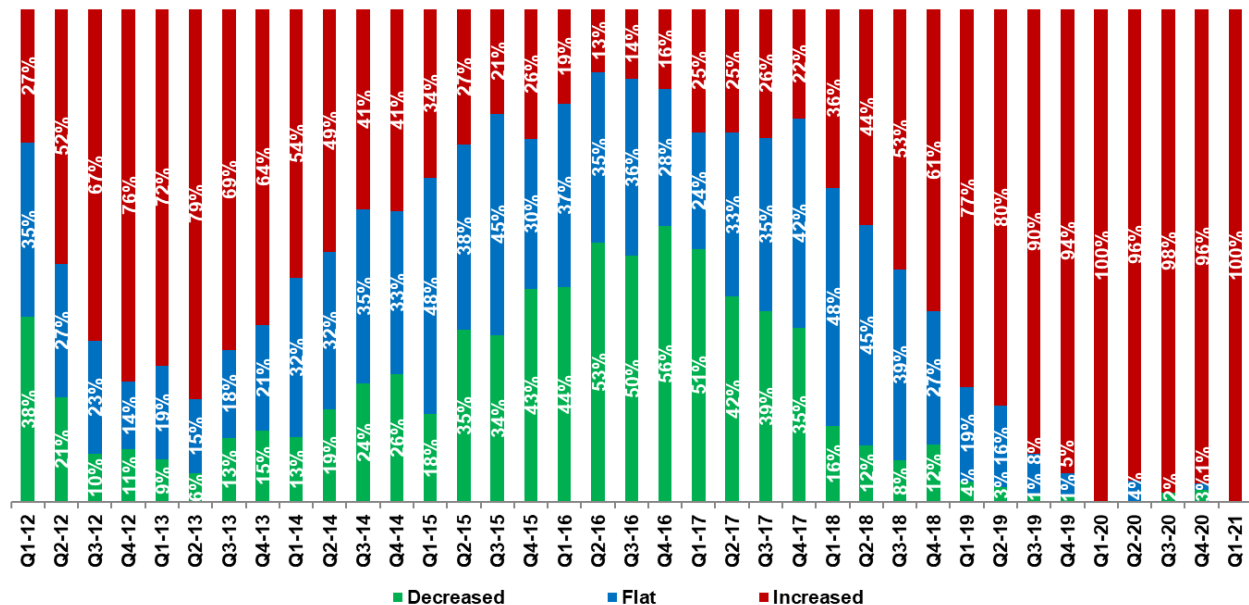
## FIRST QUARTER PRIMARY POLICIES

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 first quarter, no policies received a price decrease, no policies renewed “flat”, while 100 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)

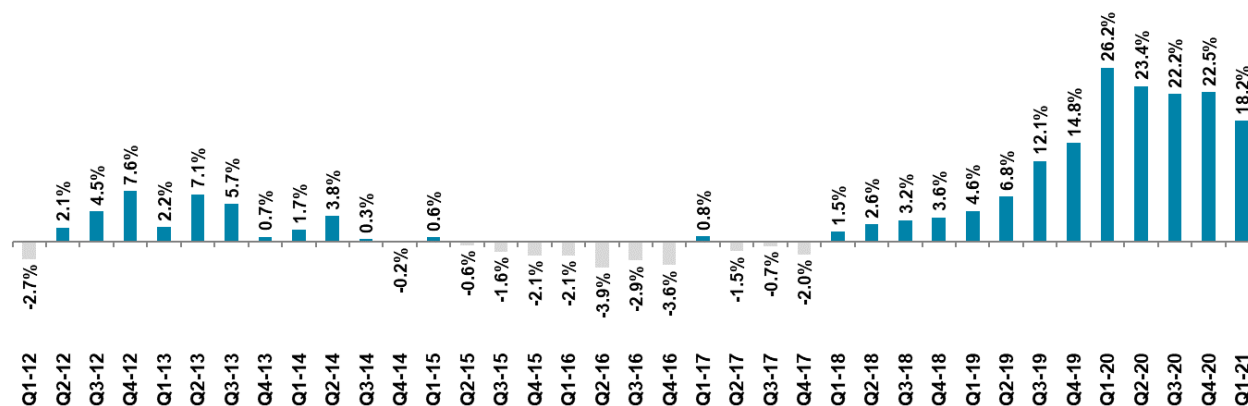
Q1-2012 through Q1-2021



For primary policies renewing with the same limit and deductible, no primary policies received a price decrease, while the average price increase was 18.2 percent. The overall price change for primary policies in the first quarter was up 18.2 percent.

## PRIMARY PRICE CHANGES (SAME LIMIT AND DEDUCTIBLE)

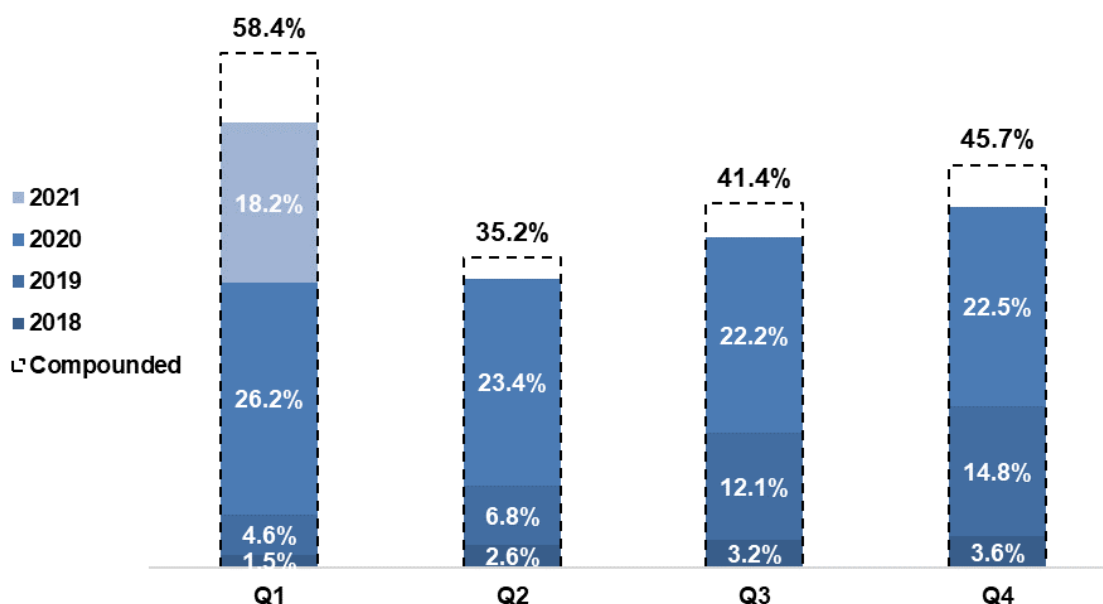
Q1-2012 through Q1-2021



The first quarter was the thirteenth consecutive quarter of year-over-year increases, dating back to Q1 2018, for primary policies that renewed with the same limit and deductible.

## PRIMARY RATE-ON-RATE CHANGE (SAME LIMIT AND DEDUCTIBLE)

Q1-2018 through Q1-2021



## THE QUARTER DECONSTRUCTED (SAME LIMIT AND DEDUCTIBLE)

### January 2021

In January, no primary policies received a price decrease or renewed “flat”, while 100 percent of companies received a price increase.

The average primary price increase in January was 15.0 percent. The overall price change for primary policies in January was up 15.0 percent.

### February 2021

In February, no primary policies received a price decrease or renewed “flat”, while 100 percent of companies received a price increase.

The average primary price increase in February was 16.8 percent. The overall price change for primary policies in February was up 16.8 percent.

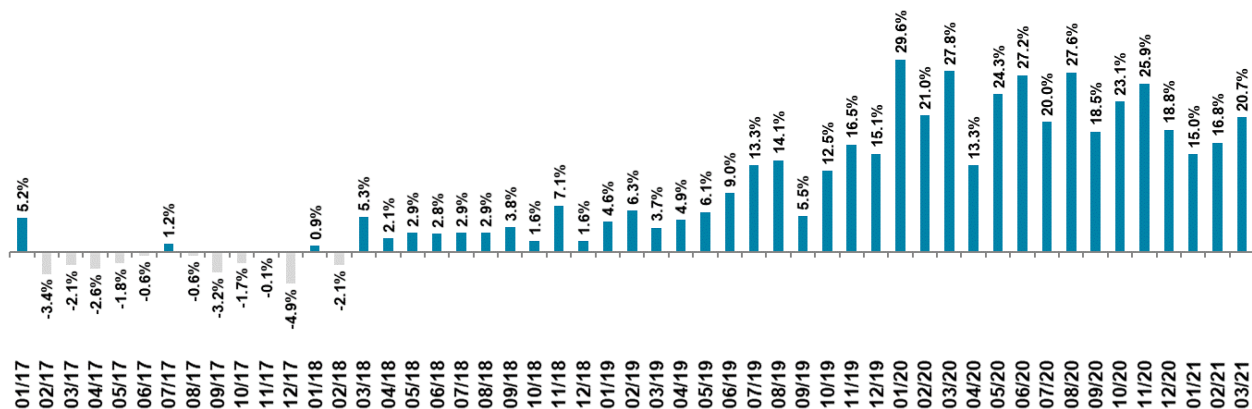
### March 2021

In March, no primary policies received a price decrease or renewed “flat”, while 100 percent of companies received a price increase.

The average primary price increase in March was 20.7 percent. The overall price change for primary policies in March was up 20.7 percent.

## MONTHLY PRIMARY PRICE CHANGE (SAME LIMIT AND DEDUCTIBLE)

January 2017 – March 2021



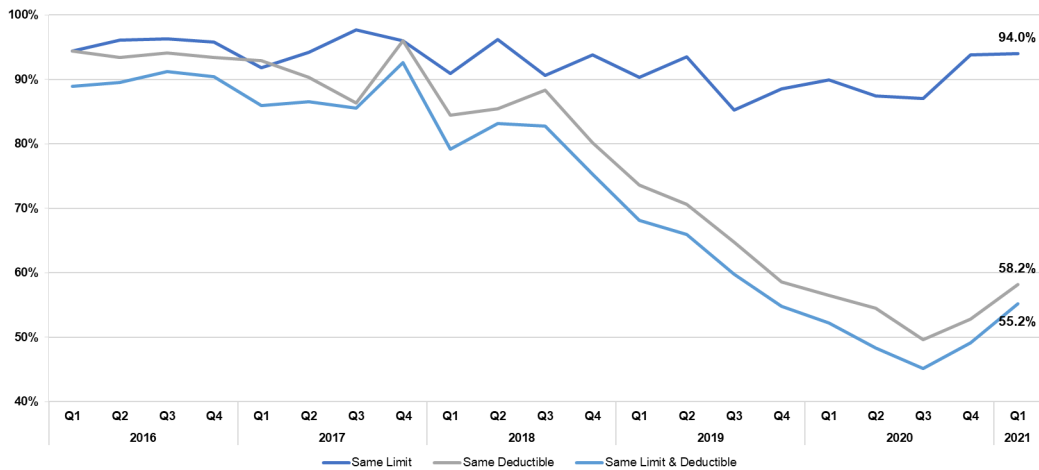


## LIMIT, DEDUCTIBLE, AND CARRIER CHANGES

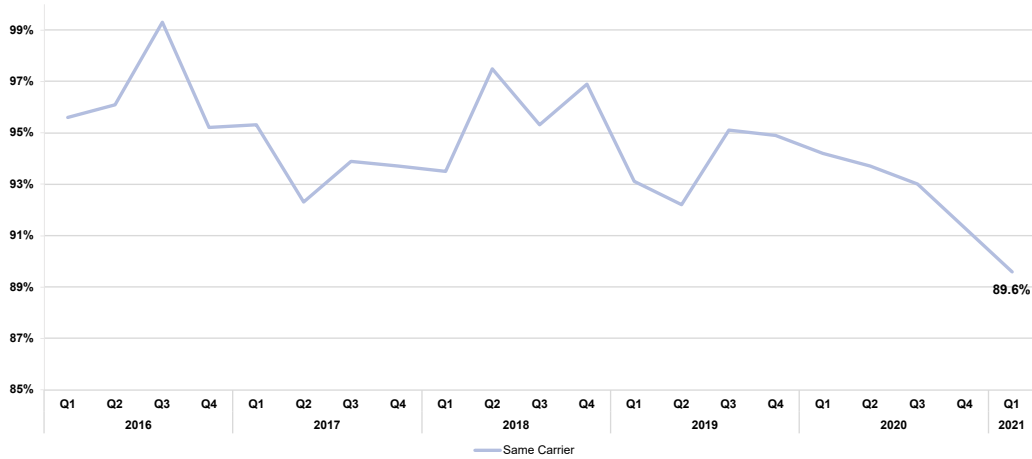
**First Quarter** – In Q1 2021, 94.0 percent of primary policies renewed with the same limit, 58.2 percent of policies renewed with the same deductible.

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.

Concurrent with the primary layer rate increases that started in Q1 2018, the percentage of clients renewing with the same limit and/or deductible had been dropping steadily, before dropping precipitously since Q3 2018. For the first quarter, only 55.2 percent of clients renewed with the same limit AND deductible as the prior-year quarter.



Despite the movement in limit and deductible levels, in the first quarter, 89.6 percent of primary policies renewed with the same carrier. Just 10.4 percent of policies renewed with a different primary carrier.



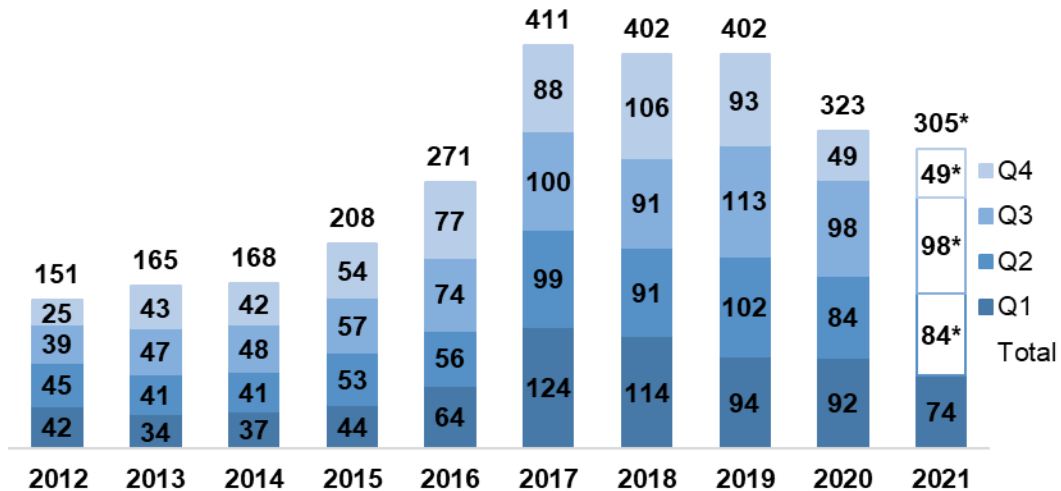
On average, primary policies that renewed with the same limit, deductible, and carrier experienced an 18.0 percent premium increase in the first quarter.

## SECURITIES CLASS ACTION LITIGATION

**First Quarter** – According to Stanford Law School’s Securities Class Action Clearinghouse, in Q1 2021, plaintiffs filed 74 new federal securities class action cases (filings) – eighteen fewer than in the first quarter of 2020 (92), a decrease of 20 percent.

## FEDERAL SECURITIES CLASS ACTIONS

Q1-2012 through Q1-2021



\*Projected filings based on trailing twelve months actual filings  
 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 on over 13,700 D&O programs for publicly traded companies between January 1, 2001 and March 31, 2021. 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.

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## **ABOUT AON**

Aon plc (NYSE:AON) is a leading global professional services firm providing a broad range of risk, retirement and health solutions. Our 50,000 colleagues in 120 countries empower results for clients by using proprietary data and analytics to deliver insights that reduce volatility and improve performance.

## **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 world-wide operations. Aon’s U.S. Financial Services Group manages more than \$3.8 billion in annual premium, assists with approximately \$1.0 billion in claim recoveries annually, and uses its unmatched data to support the diverse business goals of its clients.

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