

# State of the U.S. D&O Market

May 23, 2025

## Three Factors Impacting the U.S. D&O Market

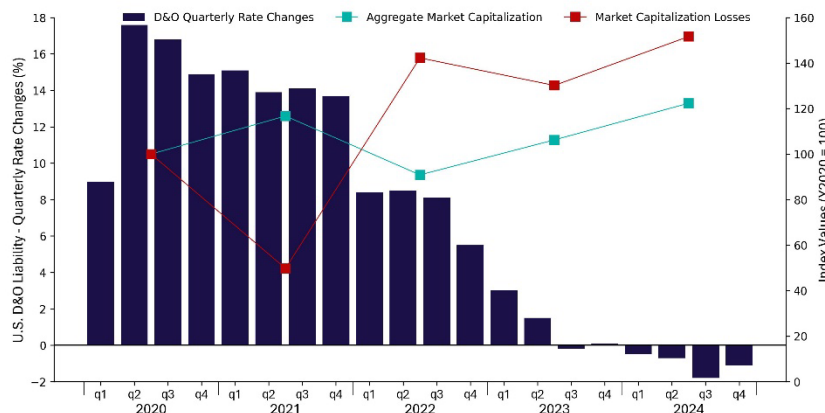
Data indicate a high likelihood that the current soft market will not outlast the previous one.

### 1. Hypercompetition Perpetuates Defensive Pricing in a Consolidating Intermediary Market

Rate softening continues due to abundant capacity, catalyzed by overly-defensive price competition perpetuated by notable consolidation by established intermediaries.[1] According to AM Best, current pricing conditions will not be sustainable due to increased risk complexity.[2] Consolidation has muddled the waters of legacy peer-benchmarking databases as underwriters now focus on account-specific profitability based on company and time-specific risks amid volatile equity markets and remarkable disclosure complexity facing issuers.[3]

### 2. Alleged Market Capitalization Losses Outpace the Growth in U.S. Market Capitalization by 2x since 2020

Investor plaintiffs' alleged market capitalization losses on first-filed Rule 10b-5 complaints have exhibited substantially greater accumulation relative to the growth in the aggregate market cap. of both U.S. and non-U.S. issuers between 2020 and 2024. Aggregate market cap. of U.S. equities has grown by 22.37% over the four-year period, from approx. \$73.5 to \$90 trillion.[4] Annual aggregate market cap. losses alleged against defendant U.S.-listed companies have grown by 51.68%, from approx. \$438.5 to \$665.2 billion over the salient period.[5] During the first quarter of 2025, investor plaintiffs have alleged almost \$300 billion in market cap. losses, which accounts for almost half of the losses claimed during the entirety of 2024.[6]



#### Figure Data Sources:

U.S. D&O Liability Quarterly Rate Changes (%):  
AM Best

Aggregate Market Capitalization:  
S&P Global Market Intelligence

Market Capitalization Losses (1st Filed):  
SAR

### 3. Cost of Capital is King

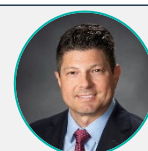
Macroeconomic uncertainty and U.S. equity market volatility are driving greater scrutiny of cost of capital considerations on low frequency, high severity long-tail risks. Loss reserve capital replenishment on active SCAs on inventory of more recent vintages is likely of greater magnitude, driven by the increase in potential loss severity. In 1Q'25, market cap. losses per Rule 10b-5 claim increased by 72% relative to 4Q'24, while market cap. losses per alleged stock drop increased by 63.4%.[6] Case reserves on high severity securities claims will require robust, bottom-up loss reserve adequacy analysis throughout the litigation lifecycle to analyze the opportunity cost on the cost capital for improved financial resilience amid soft market conditions.

#### Sources:

- [1] Public D&O pricing fell in 4Q'24 by 9.5%; see, "Growing Uncertainty," [Lockton Market Update](#), March 2025.
- [2] "Changing Environment Brings New Risks to D&O Insurers," [AM Best Market Segment Report](#), May 19, 2025.
- [3] "Using Data To Inform Corporate Disclosure Decisions," Liz Dunshee and Nessim Mezrahi, [Law360](#), Dec. 10, 2024.
- [4] S&P Global Market Intelligence.
- [5] SAR SCA Database.
- [6] SCA Rule 10b-5 Exposure Report, [SAR](#), April 10, 2025.

## Verifiably Independent.

To obtain a near-real time securities litigation risk assessment on public companies that trade in NYSE or NASDAQ, please contact us.



**Anthony Kabanek**  
Executive Vice President  
202.436.9994  
[anthony@sarlit.com](mailto:anthony@sarlit.com)  
[www.sarlit.com](http://www.sarlit.com)