



D&O Claims in Asia Pacific – A Snapshot

As the largest provider of Directors & Officers and professional indemnity insurance in the world, AIG has unique insight into the landscape of D&O across Asia Pacific.

The market for D&O insurance continues to grow throughout Asia, evident in the volume of claims paid throughout Asia by AIG. In 2016, over US\$13.6 million in claims were paid out to holders of Directors & Officers insurance, a 47% increase over 2012 figures.

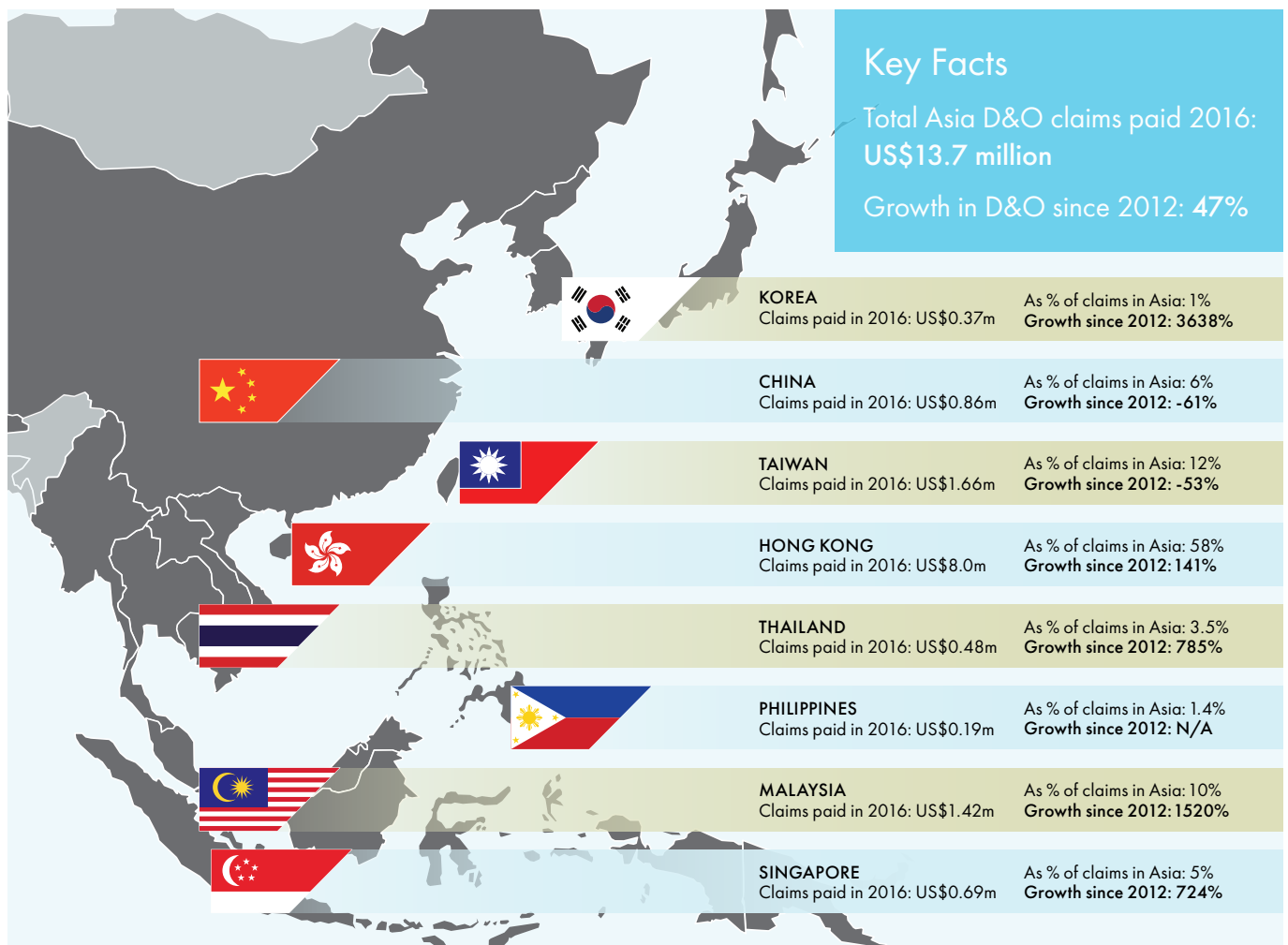
Hong Kong is the region's most developed market, with more than US\$8m in claims paid in 2016 representing well over half of the region's claims. Other markets are rapidly growing, with over eight-fold increases in claims paid since 2012 in Singapore and Thailand, over 15-fold in Malaysia, and a dramatic 37-fold rise in Korea against 2012 claims figures.

Taiwan accounts for just over 12% of Asia's total regional claims in 2016, while China represents about 6%, and both countries registered a decline in claims paid since 2012. Nonetheless,

both markets in particular China are expected to experience continued claims growth as the market for D&O insurance expands.

Most D&O claims in Asia arise from regulatory investigations – for example, in Hong Kong, regulatory investigations account for 90% of claims cost. AIG expects Hong Kong to remain a market where we see the most D&O claims, particularly as a result of the Hong Kong Securities & Futures Commission's increased focus on enforcement actions.

Across Asia, a heightened regulatory environment is likely to continue driving demand for D&O insurance, although the region's markets are likely to see an increase in investor or shareholder actions due to legal reforms. Class action litigation has been introduced in Japan, Korea and most recently Thailand. The first class action in Thailand has been brought against the operator of a goldmine – the total value of the claim could reach US\$13m with a further potential 30% in costs.





D&O Claims in Australia & New Zealand – A Case Study

The D&O insurance landscape has rapidly changed in Australia and New Zealand over the past 25 years. Corporate governance practices have come under the microscope due to a substantial rise in shareholder class actions, while regulatory investigations remain a concern.

Australia has seen a dramatic rise in D&O claims around shareholder class action activity. The number of investor/shareholder class actions has increased over 50% between 2004 and 2016. More than 40 shareholder class actions have commenced in Australia, although most suits settle in the pre-trial phase. Total payments for the actions now stand at over \$1.2bn.

Additional factors have further underscored the trend towards increasing class action matters: plaintiff law firms are focused on class actions as a business opportunity, often using third-party funding to pursue cases, and the legal regime increasingly sees class actions as means of enforcing corporate law and enhancing corporate governance.

Meanwhile, Australian companies are also increasingly at risk of investigations by regulatory authorities, particularly in areas of environmental risks, tax, occupational health & safety, and employment practices, not to mention stringent regulations around insolvent trading. Investigations of foreign bribery are another important potential source of risk.

These developments have made Australia the second most risky jurisdiction in which a corporation may face class action litigation, behind only the United States. This development has also played out in the region's D&O market, where claims paid in Australia and New Zealand has risen nearly four-fold since 2012, with New Zealand seeing a nine-fold increase in claims paid.

The experience of Australia and New Zealand has shown how rapidly D&O insurance can become a critical risk mitigation tool for company directors. New risks and regulations emerge swiftly, and those companies that are caught off guard could find themselves facing severe financial uncertainty.

