Macro Trends and Emerging Risks in D&O Insurance in Europe

A Market and Underwriting Perspective

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Abstract

This article examines the evolving European Directors and Officers insurance landscape from a market and underwriting perspective. It argues that, although pricing conditions remain favorable for many buyers, the underlying risk environment is becoming broader, more complex and less predictable. Traditional D&O exposures such as insolvency, financial misstatement, fiduciary duties and M&A disputes now interact with cyber governance, AI, ESG disclosure, greenwashing, sanctions, operational resilience, regulatory investigations and collective redress. The analysis focuses on Europe and the UK and considers how insurers are adapting risk assessment and policy wordings in response to these developments.

Keywords: Directors and Officers insurance; D&O underwriting; European insurance market; cyber governance; artificial intelligence; ESG; collective redress; policy wordings; Financial Institutions.

1. Introduction: D&O insurance in a changing governance environment

Directors and Officers insurance in Europe is entering a complex phase. Market conditions remain favorable for many buyers: capacity is available, competition is strong, and well-managed companies continue to secure stable or reduced premiums in several European markets. This is evident in Spain, France and Italy, where competition has supported premium reductions and broader coverage requests, and in the UK, where buyer-friendly conditions persist although reductions are slowing.

At the same time, the liability environment for directors and officers is becoming broader and less predictable. Traditional D&O risk drivers—insolvency, financial misstatement, fiduciary duties and M&A disputes—remain important, but now sit alongside newer sources of board accountability: cyber governance, operational resilience, AI, ESG disclosure, greenwashing, sanctions, private credit, regulatory investigations and collective redress.

The European market is therefore better described as one of disciplined competition rather than simply a soft market. Insurers deploy capacity on attractive risks, but underwriting remains selective. Companies with strong governance, transparent disclosure, financial resilience and clean claims histories are treated very differently from those with distressed balance sheets, weak controls, US exposure, complex multinational structures or heightened regulatory scrutiny.

This paper provides a market and underwriting view of today's D&O landscape, outlining how insurers assess management liability risk across Europe and selected related markets, and how policy wordings are evolving in response to new exposures. The analysis focuses on Europe and the UK. It is based on local legal materials and broker publications, supplemented by insights from Generali Global Corporate & Commercial Heads of Financial Lines in the relevant European countries and the UK.

2. A favorable but segmented market

The post-2019 D&O correction has clearly receded in most mature European markets. In France, broker market commentary describes the D&O market as soft, with abundant capacity, premium decreases depending on the insured's profile and the possibility of two- or three-year long-term agreements. Available capacity in the French D&O market is reported to exceed EUR 300 million excluding London, with individual insurers commonly offering around EUR 15 million and, in some cases, up to EUR 25 million.

Italy shows a similar competitive dynamic, particularly in the Financial Institutions segment. The Italian D&O FI market has benefited from an improved banking risk profile, strong capital ratios and the entry of new insurers, producing abundant underwriting capacity and premium reductions, with reduction requests reaching up to 30% in early 2026. However, competition has also increased pressure on wordings, as insureds and brokers seek broader legal expense and regulatory defense protections.

The UK market remains favorable to buyers, but with clearer signs of stabilization. Howden's 2026 D&O outlook indicates that premium reductions continued through 2025, but that the pace of reductions is slowing and the market may be approaching a pricing floor. WTW similarly describes 2025 as a transition year, with reductions still available for many insureds but more pressure toward rate stabilization and potential flat to modest increases in 2026 depending on risk profile.

Spain and Portugal are increasingly shaped by EU-driven governance, sustainability reporting and collective redress developments. However, the region remains a buyer-friendly market.

Across Financial Institutions more broadly, the market remains competitive but more differentiated. Lockton's 2026 Financial Institutions update describes 2025 as favorable due to ample capacity and competition, while also noting that insurers are expected to apply greater rate discipline in 2026 and increase scrutiny around financial and operational resilience, fraud, digital assets, AI, cybersecurity, M&A integration and defense costs. WTW's FI market update also describes stable market conditions with premium reductions still expected across banks, asset managers, insurance companies and fintech or digital asset firms, subject to risk and claims profile.

The result is a "soft but segmented" market. Pricing competition remains strong, but it is not indiscriminate.

3. Macroeconomic pressure and insolvency: the traditional risk is still alive

D&O underwriting remains highly sensitive to economic stress. Insolvency, liquidity pressure, refinancing risk and financial misstatement continue to be major sources of claims and underwriting concern. The difference today is that these traditional risk drivers are developing in a more volatile environment, shaped by geopolitical instability, higher financing costs, supply-chain disruption, inflationary pressure and uncertain growth.

In mature European markets, insolvency-related claims remain a core concern. The GILC D&O report highlights an increase in insolvency administrator claims in several jurisdictions, including Austria and the Netherlands, and describes economic uncertainty as a driver of increased D&O exposure. In countries where insolvency administrators are active and directors' duties during financial distress are closely scrutinized, the D&O policy remains highly relevant for defense costs and non-indemnifiable exposure.

In Italy, the Financial Institutions segment currently benefits from stronger bank balance sheets and improved capital ratios, which has supported soft market conditions. However, underwriting discipline remains important because financial resilience can change quickly if interest-rate conditions, credit quality, geopolitical events or regulatory requirements deteriorate.

The underwriting implication is that insolvency risk is no longer assessed only through financial statements. Insurers increasingly look at governance under stress: whether boards have early warning processes, whether liquidity is regularly monitored, whether refinancing plans are credible, whether minutes evidence informed decision-making, and whether directors have managed conflicts of interest and stakeholder duties appropriately.

4. Emerging risks: cyber, AI, ESG and environmental exposures

The most important change in D&O risk is not the emergence of one single new peril. It is the conversion of multiple risks into board liability risks. Across Europe, directors and officers are increasingly expected not only to ensure compliance, but to evidence oversight, escalation, implementation and control. Cyber, AI, ESG and environmental issues increasingly raise questions about governance, disclosure, supervision, crisis response and regulatory accountability.

4.1 Cyber as a board risk

Cyber risk increasingly generates D&O exposure when stakeholders allege that directors failed to oversee cybersecurity, failed to disclose cyber vulnerabilities, failed to respond properly after an incident or misrepresented the company's digital resilience. This is particularly relevant for Financial Institutions, where cyber resilience and third-party ICT dependency are central to regulatory expectations.

In the European Union, DORA and NIS2 have elevated cyber and digital resilience from a technical topic to a governance issue. DORA requires ICT risk management, incident reporting, resilience testing and third-party oversight, while NIS2 broadens cybersecurity governance and management responsibilities across a wider range of entities. In Italy, this is particularly relevant for Financial Institutions, where these frameworks are increasing senior management responsibilities and generating requests to clarify coverage for legal expenses linked to regulatory proceedings.

For insurers, these developments increase the relevance of cyber governance in D&O underwriting even where the company already purchases standalone cyber insurance. The underwriting focus is therefore shifting toward the board's ability to demonstrate clear reporting lines, incident escalation, third-party ICT oversight, business continuity testing, regulatory notification procedures and internal evidence of oversight.

In France, cyber capacity has increased and pricing has become more competitive, but the cyber threat remains material, with ransomware, supply-chain incidents, data exfiltration and AI-enabled attacks continuing to drive claims.

For D&O insurers, the issue is not to duplicate cyber insurance. The issue is to understand whether the board has credible cyber governance: reporting lines, incident escalation, third-party oversight, business continuity testing, regulatory notification procedures and internal evidence of oversight.

4.2 Artificial intelligence

AI is now emerging as a distinct D&O underwriting topic. It may create exposure through misleading statements about AI capabilities, use and abuse of AI without strong policy in place, inadequate oversight of AI deployment, discriminatory or defective outputs, poor data governance, regulatory non-compliance or failure to supervise third-party AI providers.

In the UK, Howden and WTW both identify AI as part of the new D&O risk environment, with AI-related litigation and disclosure risk becoming more relevant for boards. For Financial Institutions, AI risk is particularly sensitive because AI may be used in fraud detection, credit assessment, customer targeting, trading, compliance monitoring or claims handling, all of which may create regulatory, conduct and disclosure implications.

At wording level, the market has not converged around a standard AI exclusion. In many cases, traditional wrongful act language may already respond to an AI-related management liability claim, depending on facts and exclusions. The more immediate market response is underwriting-driven: more questions about AI governance, approved use cases, human oversight, data controls, vendor management and public disclosure.

4.3 ESG, greenwashing and sustainability disclosure

ESG remains one of the most important reputational and regulatory themes for D&O insurers, especially in Europe. The GILC D&O report identifies ESG as one of the main drivers of D&O market sentiment, and Allianz Commercial notes that corporate conduct, ESG scrutiny and greenwashing claims are creating potential liabilities for directors and officers across multiple jurisdictions.

For listed companies, asset managers, banks and insurers, the risk is not ESG in the abstract. It is the gap between public commitments and evidence. Transition plans, sustainability reports, climate targets, diversity statements, supply-chain declarations and investment policies may all become D&O-relevant if stakeholders allege that the company overstated its credentials or failed to implement adequate controls.

In Iberia, EU sustainability reporting and governance expectations are increasingly relevant to underwriting, particularly for listed companies, financial institutions and companies with access to international capital. In France and other mature European markets, underwriting is increasingly attentive to environmental exposure, PFAS, climate transition and the consistency of non-financial disclosure.

4.4 PFAS and environmental management

PFAS and environmental exposures are not always D&O claims at the outset. They may begin as product liability, environmental impairment, regulatory or bodily injury claims. However, they can become D&O-relevant if directors are accused of failing to disclose material liabilities, failing to manage environmental risk, failing to adapt strategy or failing to respond to scientific, regulatory or public concern.

For insurers, environmental exposures are increasingly relevant to D&O underwriting even when the underlying loss primarily falls within another insurance line. The key D&O question is whether the board understood the exposure, documented its oversight and communicated accurately with investors, regulators and other stakeholders. Casualty teams are generally more advanced in assessing PFAS exposure, and a more effective approach would promote cross-line collaboration to better understand and anticipate risks that can easily spread from one line of business to another.

To conclude, in an ideal environment, insurers would be able to ask detailed questions on emerging risks, test the quality of client responses and challenge companies where governance, controls or disclosure appear weak. In the current market, however, abundant capacity and increasing competition from new D&O entrants make it more difficult to promote a technical underwriting approach over a purely commercial one. The risk is that parts of the D&O market may now be covering, or beginning to cover, emerging exposures without a sufficiently deep assessment or understanding of the underlying risk.

5. D&O policy wordings: gradual adaptation rather than radical redesign

The response of D&O policy wordings to emerging risks has generally been evolutionary. The market has not moved toward broad, universal exclusions for every new exposure. Instead, insurers are using a combination of clearer drafting, underwriting questions, targeted exclusions, carve-backs, sub-limits and coordination with other insurance lines.

D&O insurance protects directors and officers against liabilities arising from their board and management responsibilities. As those responsibilities expand, emerging issues can naturally become D&O risks. Broad exclusions may therefore conflict with the purpose of D&O cover, particularly in today's soft market, where abundant capacity and strong competition result in uneven approaches across carriers.

As with risk assessment, the competitive environment also leaves limited room for insurers to intervene actively or forcefully on policy wording. Abundant capacity and the entry of new competitors can make it difficult to insist on restrictive language, clearer limitations or more technical drafting where clients and brokers are seeking broader protection. This may be commercially understandable in the short term, but it creates a potential long-term risk if the market gradually expands coverage for emerging exposures without ensuring that wording remains aligned with a clear and robust understanding of the risk.

Cyber is one of the clearest examples. D&O policies are not designed to cover first-party cyber loss, but they may respond to claims alleging failure of cyber oversight or misleading cyber disclosure. For this reason, insurers increasingly focus on silent cyber clarity, cyber exclusions with management liability carve-backs, securities claim carve-backs and coordination with standalone cyber policies.

For Financial Institutions, wording discussions increasingly focus on investigations, defence costs, crisis costs, regulatory response, Side A protection and the interaction between D&O, Professional Indemnity, Crime, Cyber and Pension/Fiduciary Liability.

In Italy, the specific concern is the increasing request to make legal expense coverage more explicit for proceedings connected to sanctions or regulatory matters, particularly where the sanction itself may not be insurable. This is driven by DORA and NIS2, which increase the potential for senior management scrutiny in relation to digital resilience and cyber governance.

In Spain, the FI insurance market also shows a tendency toward blended solutions, combining D&O and Professional Liability covers, including defence costs, regulatory investigations, emergency costs, crisis management, mitigation costs and administrative sanctions where insurable. This reflects a broader market reality: clients often experience risk as an integrated management crisis, even when insurance products remain divided by line of business.

Side A and Side A DIC remain essential. In insolvency, regulatory crisis, derivative claims or situations where the company cannot or will not indemnify directors, protection for individuals becomes the core purpose of the D&O programme. This is particularly relevant for Financial Institutions, distressed companies, multinational groups and jurisdictions where indemnification is constrained.

6. Class actions and collective redress: Europe's own model is emerging

Europe is not becoming the United States, but collective redress is becoming a material strategic risk for companies operating in Europe. CMS's European Class Action Report 2025 states that class actions have moved from a niche area to a significant corporate risk, driven by new procedural mechanisms, claimant law firms, technology-assisted bookbuilding and litigation funding.

CMS identifies the UK, the Netherlands and Portugal as Europe's highest-risk jurisdictions, with Spain as a country to watch because of a draft opt-out procedure. CMS also reports continued growth, with 97 class actions filed in Europe in 2024, and highlights consumer and competition claims as the largest areas of group litigation risk.

6.1 United Kingdom

The UK remains one of Europe's most active and strategically important jurisdictions for class actions. The CMS European Class Action Report 2025 identifies the UK, together with the Netherlands and Portugal, as one of the highest-risk European jurisdictions, driven by the availability of collective proceedings, the maturity of litigation funding and the willingness of claimant firms to use group litigation mechanisms. Although the number of UK filings moderated in 2024, the cumulative value of UK class actions continued to rise: CMS reports total UK opt-in and opt-out class action quantum of approximately EUR 155 billion in 2024, with opt-out claims increasingly driven by competition actions before the Competition Appeal Tribunal.

For D&O underwriters, the relevance is broader than securities litigation alone. Large UK collective actions can create significant financial exposure, settlement pressure, regulatory scrutiny and disclosure issues, even where the proceedings are not framed initially as claims against directors or officers. The underwriting concern is therefore whether mass consumer, competition, environmental, data protection or shareholder disputes may evolve into governance questions: what the board knew, how risks were disclosed, whether controls were adequate, and whether senior management responded appropriately.

6.2 Netherlands

The Netherlands is one of Europe's most important collective action jurisdictions. The WAMCA regime has structurally changed the Dutch class action environment by allowing damages claims, introducing an opt-out system and creating binding judgments for represented groups. The Clyde & Co Financial Lines Day materials note that more than 100 WAMCA cases were brought between 2020 and 2026, including public interest, greenwashing, privacy, diesel emissions and consumer claims.

For D&O, Dutch collective actions matter even when they are not directed initially against directors. Large consumer, privacy or ESG claims can lead to parallel regulatory investigations, disclosure scrutiny, settlement pressure and follow-on management liability allegations.

6.3 Portugal and Spain

Portugal is increasingly relevant. CMS identifies it as one of Europe's highest-risk class action jurisdictions by value, with aviation claims forming a significant part of the total value of claims. While many of these claims may not be classic D&O claims, large collective actions can generate governance and disclosure implications, especially for regulated companies or companies facing public scrutiny.

Spain is more prospective, but important. It is more and more seen as a jurisdiction to watch because of the draft opt-out procedure. For underwriters, this means Spain should increasingly be assessed not only through traditional corporate governance and securities risk, but also through the potential development of a more efficient collective redress environment.

7. Underwriting implications: governance quality as the key differentiator

The current D&O market rewards strong risks, but the definition of a strong risk is evolving. Financial strength and claims history remain central, but underwriters increasingly assess the quality of governance under stress.

Across Europe, the best-performing risks are those that can demonstrate board-level oversight of cyber, AI, ESG, sanctions, operational resilience and financial stress. In France and Italy, this can translate into favourable pricing and broader terms. In the UK, it may help companies manage a more active securities and mass redress environment. In Iberia, it may become increasingly important as collective redress develops.

The practical underwriting focus is therefore moving toward the following areas:

- financial resilience, liquidity and refinancing strategy;
- quality and consistency of public disclosure;
- cyber governance and incident response;
- AI governance, internal AI policy, human oversight and data controls;
- ESG reporting, greenwashing controls and sustainability governance;
- exposure to collective redress jurisdictions;
- regulatory history and investigation preparedness;
- multinational programme structure, local admitted policies and claims payment mechanics;
- Side A adequacy and non-indemnifiable loss protection.

In this sense, D&O underwriting is becoming less a review of past claims and more a forward-looking assessment of corporate resilience. The D&O policy remains a financial protection tool, but the underwriting process increasingly tests whether the company can evidence governance, controls and accountability before a crisis occurs.

8. Conclusion: D&O as a governance resilience product

The European D&O market remains favourable for many buyers, but this should not obscure the growing complexity of the underlying risk environment. Premium reductions and abundant capacity coexist with expanding board accountability, more active regulators, developing class action mechanisms and new exposures linked to cyber, AI, ESG and operational resilience.

The most important trend is the broadening of D&O from a traditional management liability product into a governance resilience product. Claims may still arise from insolvency, securities misstatements or M&A disputes, but they increasingly originate in operational failures, regulatory scrutiny, mass consumer redress, data breaches, sustainability statements, AI deployment and crisis response.

For insurers, the challenge is to maintain underwriting discipline in a competitive market. For companies and their directors, the challenge is to understand that insurance remains essential but cannot substitute governance. The most resilient organisations will be those able to combine adequate D&O protection with transparent disclosure, robust controls, documented oversight and credible crisis preparedness.

In the coming years, the winners in the D&O market will not simply be those who purchase the highest limits or obtain the deepest premium reductions. They will be the companies that use the D&O renewal process as a mirror of governance quality, and the insurers that can distinguish between superficial comfort and genuine resilience.

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