



Insight

State of the D&O market

The scope of the risks that directors are facing means that take up of D&O policies has increased significantly over the last 20 years. Today, most directors in the FTSE 250 space will have cover with a growing number insisting it is in place to protect their interests before they would even consider a directorship.



But, although it is almost ubiquitous in the FTSE 250 space, there is much lower penetration among smaller companies. Datamonitor's SME Insurance Survey, which was conducted in August 2014, found that only 23.3% of respondents had D&O cover – remaining static from 2013, and down from the previous year's figure of 26.7%. The figures are even lower in the micro-SME sector, with just 10.6% of those surveyed having D&O cover.

Figures from the Department for Business, Energy & Industrial Strategy show just how many SMEs could be exposing their directors to the risks covered by D&O insurance. There were an estimated 5.5 million businesses in the UK at the beginning of 2016 – of which over 99% were SMEs. This means that only around 1.3m SMEs have cover.



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This low penetration rate may be down to lack of awareness of either the risks or of D&O insurance, but SMEs face exactly the same risks as their larger peers. Regulators view the activities of SMEs in the same way as those of their larger peers and will seek to take action against a company of any size if it suspects it is acting inappropriately. Similarly, employees of small companies are just as aware of their rights as those in large multinationals and will take action against an employer if they feel they have been treated unfairly.

While the risks are the same, SMEs face a further challenge. Without the in-house legal and HR teams common in large companies, defending a claim or dealing with a regulator's investigation can be time-consuming and complicated.

D&O insurance provides valuable access to specialists including lawyers and communication consultants. Having this support not only ensures they deal with the challenge successfully but it also helps to reduce the disruption to management time and allows them to focus on the needs of the business.



Against a backdrop of increasing regulation and litigation, D&O insurance is a must for a business of any size. As well as indicating that it values its senior executives – and helping to attract high calibre directors – D&O insurance enables a business and its employees to focus on being successful.

For more information, please speak to your insurance intermediary or visit:

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