



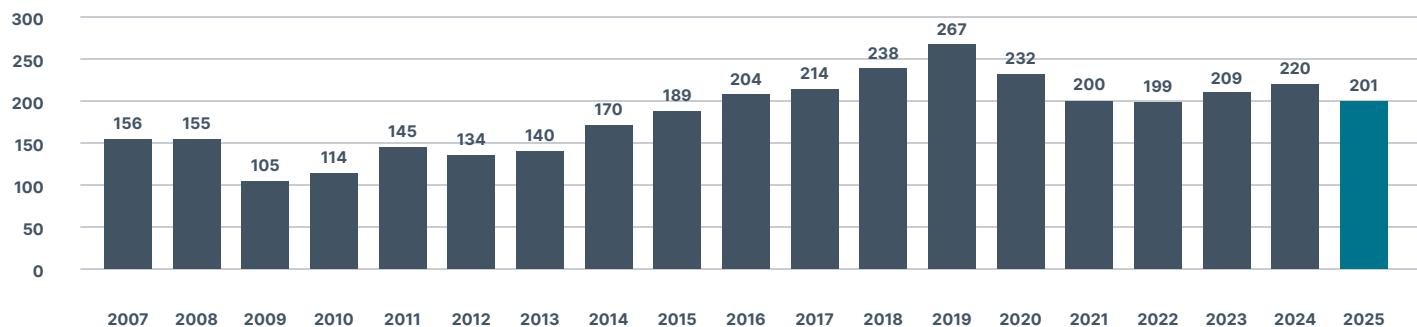
Directors & Officers Liability / Financial Lines Practice

2H 2025 Market Review & 1H 2026 Market Outlook

Securities Class Action Filing Update

Securities Class Action Claims Trends

Does not include Merger Objection Suits



There were 201 total core* securities class action filings in 2025, a 9% decrease from 2024.

*Core Filings exclude any Merger Objection Filings

Going Up

Percentage of core filings alleging False Forward-Looking Statements (56% of all filings), 1933 Act Claims (10% of all filings) and Trading by Company Insiders (6% of all filings)

Filings related to Artificial Intelligence increased slightly from 14 in 2024 to 16 in 2025. AI related filings continue to be dismissed at a lower rate than other core filings.

Filings against the Consumer Non-Cyclical sector increased by 16% from 67 in 2024 to 78 in 2025.

Core filings in the Third Circuit increased from 19 to 26 largely driven by a surge in the Biotechnology and Pharmaceutical subsectors.

Going Down

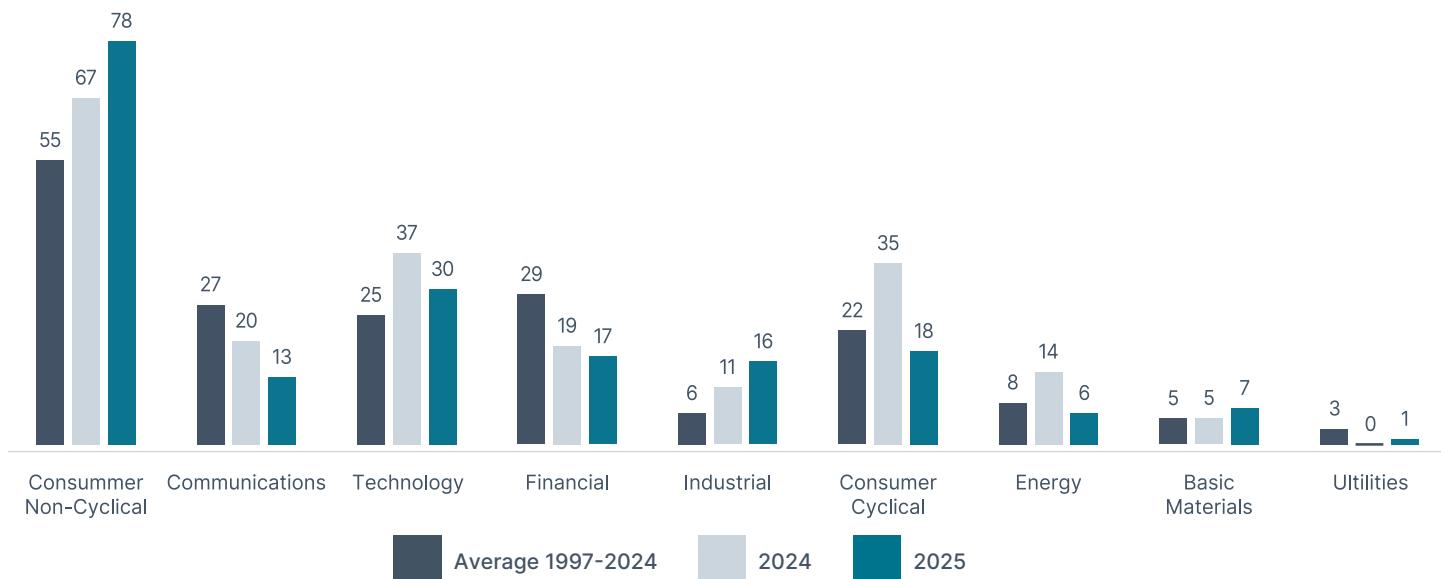
Filings related to COVID-19 have declined to just 2 cases in 1H 2025, down from 15 total cases in 2024.

Filings related to COVID-19 have declined to just three cases in 2025, down from 15 total cases in 2024. Filings related to SPACs decreased from 11 to 10 in 2025.

Filings against the Consumer Cyclical sector decreased by 49%, largely driven by a decline in Retail and Auto Manufacturers / Equipment.

Core filings in the Ninth Circuit decreased by 30% from 2024 to 2025 largely driven by a decrease in niche litigation trends such as SPAC and COVID-19 related claims.

SCA Filings by Industry (Core filings only)



Securities Class Action Settlement Update

The 2025 aggregate settlement value was \$2.9 billion, a 25% decline from 2024's \$3.8 billion and 33% decline from 2021's \$4.0 billion

Average Settlement	Median Settlement	Aggregate Plaintiffs' Attorneys' Fees and Expenses	Median Time from First Complaint to Dismissal and Settlement
\$40 Million Down from \$43 million in 2024	\$17.3 Million Up from \$14 million in 2024	\$797 million Down from \$1.063 billion in 2024	1.6 & 3.3 yrs Down from 1.9 for dismissals and up from 3.2 for settlements

Top 10 Securities Class Actions Settlements in 2025

Defendant	Total Settlement Value (\$MM)	Plaintiff's Attorneys' Fees and Expenses (\$MM)	Economic Sector	Allegations
Alibaba Group	\$433.5	\$109.4	Retail	Failing to disclose that it was violating Chinese anti-monopoly laws.
General Electric	\$362.5	\$79.5	Industrials	Failing to disclose that it was violating Chinese anti-monopoly laws.
EQT Corp	\$167.5	\$55.1	Energy (E&P)	Energy (E&P)
Zoom Video	\$150	\$10.7	Technology	Misrepresenting its security, specifically its encryption and improper personal data sharing with third parties

Defendant	Total Settlement Value (\$MM)	Plaintiff's Attorneys' Fees and Expenses (\$MM)	Economic Sector	Allegations
Turquoise Hill Resources	\$138.8	\$20	Energy (Mining)	Overstating the Oyu Tolgoi underground expansion in Mongolia
Alta Mesa Resources	\$126.3	\$47.7	Energy (E&P)	Overstating valuation and financial projections of the target companies to induce shareholders to approve the merge
VMware	\$102.5	\$26.4	Technology	Manipulating backlog, artificially inflating revenue and internal control deficiencies
Windstream Holdings	\$85	\$27.8	Communications	Misleading statements about the company's financial health and stability
Dentsply Sirona	\$84	\$25.8	Healthcare	Misrepresenting Byte safety and supervision, concealed injuries and deficient internal controls
Grab Holdings	\$80	\$26.9	Transportation	Misleading investors about its driver supply and incentive spending

Enforcement Action Update

SEC 2025 ENFORCEMENT UPDATE

- SEC enforcement activity slowed sharply in FY 2025, with only 313 new actions (lowest in a decade) and monetary settlements down 45% to \$808M, reflecting workforce reductions and a transition-year reset.
- New leadership under Chairman Paul Atkins signaled a shift toward “bread-and-butter” fraud cases, prioritizing retail investor harm over technical books-and-records or internal controls violations.
- Major policy-driven case closures occurred, especially in crypto, with the SEC dismissing or ending high-profile matters involving Coinbase, Binance, Gemini, and others, moving away from “regulation by enforcement.”
- Structural and procedural reforms were introduced, including enhancements to the Wells process: greater access to investigative materials, a standard four-week response period, and more opportunities for senior-level engagement.
- Emerging priorities include new task forces and legal developments, such as a Crypto Task Force for clearer rulemaking, a Cross-Border Fraud Task Force focused on foreign issuers (notably China), and ongoing appellate splits over disgorgement authority and the SEC’s “no-deny” settlement rule.

SEC SHIFTS LONG-STANDING OPPOSITION TO MANDATORY ARBITRATION BYLAWS IN IPOS

- The SEC announced in September 2025 that mandatory arbitration provisions will no longer affect whether the agency accelerates a registration statement's effectiveness.
- The new policy is not an endorsement of arbitration, but SEC leadership (Chair Paul Atkins) framed it as removing a barrier that had “strangled” IPO companies and could encourage wider adoption.
- Practical and legal hurdles remain, including Delaware law restrictions on mandatory arbitration bylaws and the likelihood of enforceability challenges under federal securities law anti-waiver provisions.

- Impact may be limited in the near term, applying only to future IPOs (not already-public companies), and companies may still prefer class actions for efficiency and appellate review.
- **The Impact on the D&O Market:** Arbitration and other governance measures (like Delaware's officer exculpation, federal forum selection, and reincorporation to indemnification-friendly states) should, in theory reduce liability and therefore ultimately premiums. But in practice, the D&O market hasn't adjusted, as litigation and costs continue to rise pressuring carriers to maintain or increase premium increases.

DOJ ANNOUNCES RECORD \$6.8B FALSE CLAIMS ACT RECOVERIES (FY 2025)

- The U.S. Department of Justice reported more than \$6.8 billion in civil recoveries under the False Claims Act (FCA) for Fiscal Year 2025; the largest annual total in FCA history, more than doubling FY 2024's \$2.9B.
- Health care fraud dominated enforcement, accounting for \$5.7 billion (84%) of all recoveries, up sharply from 56% the prior year.
- Qui tam whistleblower lawsuits hit a record high with 1,297 filings, including 458 health care-related cases. Whistleblower actions drove 78% of total recoveries (\$5.3B).

Top Three Coverage Decisions in 2025 that Impact D&O Policyholders

NON-CASH SETTLEMENTS CONSTITUTE "LOSS" IN AMC

- A Delaware court held in AMC Entertainment Holdings v. XL Specialty that a non-cash settlement paid in stock qualifies as a covered "Loss" under a D&O policy. The court ruled that "Loss" is not limited to cash and that issuing shares to settle shareholder litigation can constitute an amount the insured is "legally obligated to pay." The court rejected arguments that there was no economic harm and emphasized Delaware law's recognition of stock as a form of currency, while leaving insurer consent issues to be resolved based on prejudice and reasonableness. This represents a trend over the past few years in which Delaware courts have issued favorably for policyholders in Delaware, emphasizing the importance of choice of law.
- **Practical Takeaways:** Protect the definition of Loss by negotiating broad definitions that don't limit the definition to cash payments only. Additionally, think about settlement mechanics early and understand how non-cash settlements may be treated under the D&O policies language.

BROAD "INTERRELATED WRONGFUL ACTS" LANGUAGE LIMIT ABILITY TO RECOUP UNDER MULTIPLE TOWERS

- **Alexion Pharmaceuticals:** In February 2025, the Delaware Supreme Court overturned a lower court decision, ruling that a securities suit was related to a previously noticed circumstance, forcing it into an older \$85M insurance tower rather than a newer \$105M one. This highlights the high stakes of "relatedness" definitions in multi-year, multi-tower programs.
- **Under Armour:** In January 2026, a federal appeals court held that Under Armour could not make separate claims on two \$100M D&O policy limits for a shareholder suit and an SEC investigation because the allegations were "logically or causally related." Both matters arose from the same core conduct of misleading growth statements and revenue shifting to maintain the appearance of financial strength, therefore they were deemed a single claim, limiting recovery to one \$100M tower despite \$443M in settlements.
- **Practical Takeaway:** Without narrow definitions, insurers can successfully argue that later claims fall back into earlier periods, reducing available limits.

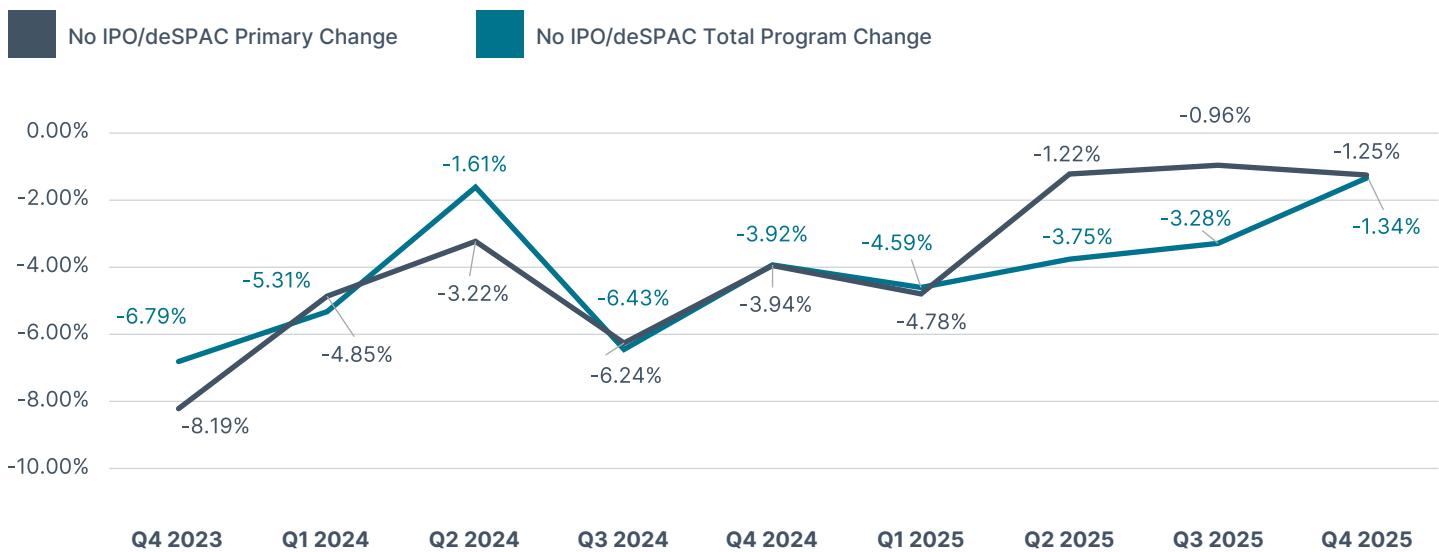
BROAD EXCLUSIONS = NO COVERAGE

- **Antitrust Exclusions (Beazley v. Foster Poultry Farms):** The insured sought D&O coverage for antitrust, consumer protection, unfair competition, and unjust enrichment claims under both primary and excess policies. Coverage was denied based on a broad antitrust exclusion, though the primary insurer agreed to fund a portion of defense costs for unjust enrichment claims. The court sided with the excess insurer, holding that the exclusion applied to the lawsuits in their entirety and reaffirming that broadly worded antitrust exclusions can bar coverage not only for antitrust claims, but also for related consumer protection, unfair competition, and unjust enrichment claims.
- **Practical Takeaway:** Seek to understand the underwriter's concern about the risk and if an exclusion is required, accept a narrow and tailored exclusion specific to the concern. Amend "absolute language" to "for language" where possible.

1H 2025 Purchasing Trends Update

CAC Public Company Quarterly Rate Change by Company Profile (All Companies vs Only Established Risk*)

CHANGE IN PRIMARY PRICE PER MILLION BY QUARTER (2023 - 2025)



ALL COMPANIES (INCLUDING RECENT IPOS AND DESPACS)



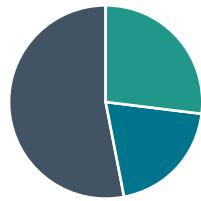
*Note – no recent IPO/deSPAC's in Q3 2025 renewed with the same limit and/or retention

1H 2025 D&O Program Statistics

Based on public company CAC clients

Total Program Premium Result 1H 2025

Increase: 26%
(down from 27% in 1H25)



Decreased: 49%
(down from 53% in 1H25)

Flat: 25%
(up from 20% in 1H25)

Side A Only

Excess D&O

Excess D&O

Primary D&O

Retention

25% changed total limits purchased.
Average change: + \$16M

4% changed primary carriers

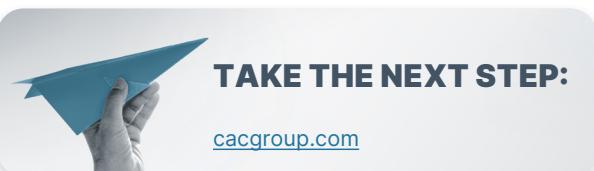
14% changed retention.
Average change: lower SIR by \$667K

2H 2025 Market Review

- Carrier exits shift momentum.** Though overall capacity remains plentiful for buyers, recent carrier exits concerns have empowered underwriters to resist premium decreases over the second half of 2025 resulting in a more stable environment.
- Stuck in the middle.** Recent losses suggest that the least profitable layers of D&O towers for mid to large cap companies are excess of about \$50 million. The increased defense costs and settlement figures combined with minimum premium has caused carriers to reposition their participation from the middle of the tower to lower layers.

1H 2026 Market Outlook

- Turning the ship slowly.** Underwriters are proceeding slowly towards maintaining a sustainable book by balancing low premiums with heightened risk factors. CAC anticipates a flat to + 5% average increase in primary pricing and total program premium in 1H 2026 with most of the premium pressure focused on the middle of D&O towers.
- Coverage Innovation:** Coverage continues to be broad with some insurers introducing new forms with less exclusions than those found on traditional D&O policies. Coverage for entity investigations is becoming more common, but the wording varies dramatically from carrier to carrier.



REFERENCES:

- *Securities Class Action Filings, 2026 Midyear Assessment.* Cornerstone Research. January 28, 2026
- *Recent Trends in Securities Class Action Litigation: 2025 Full-Year Review.* January 21, 2026. Edward Flores, Svetlana Starikkh, Ivelina Velikova
- Note: *Securities Class Action Filings and Settlement Figures* may vary based on the source. The information within this market update is largely based on the Cornerstone Research and NERA publications noted above. Other sources, including the Stanford Law School Securities Class Action Clearinghouse, Law360, and Standford Securities Litigation Analytics, may be utilized to identify trends in this report and other CAC or Baldwin publications.

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