

A photograph of three business professionals in an office setting. A woman on the left with glasses and a dark top is looking at a tablet. A man in the center with glasses and a light-colored blazer is also looking at the tablet. A woman on the right with dark hair tied back, wearing a light blue shirt, is looking down with her hand on her chin, appearing thoughtful. The background is dark and out of focus.

**Focus Report**

# **2025 Management Liability Market Outlook**



INSURANCE OFFICE OF AMERICA

[ioausa.com](http://ioausa.com)

# Pressures on Management Liability Rates Raise Caution Flag

Although we have been in a soft insurance market, characterized by declining premiums for directors and officers (D&O) and employment practices liability insurance (EPLI), indicators suggest rate drops may be slowing or ending over the coming quarters. Several large insurers in this space indicated during their second quarter annual shareholder meetings that rates will be moderating in the upcoming year.

## AT A GLANCE:

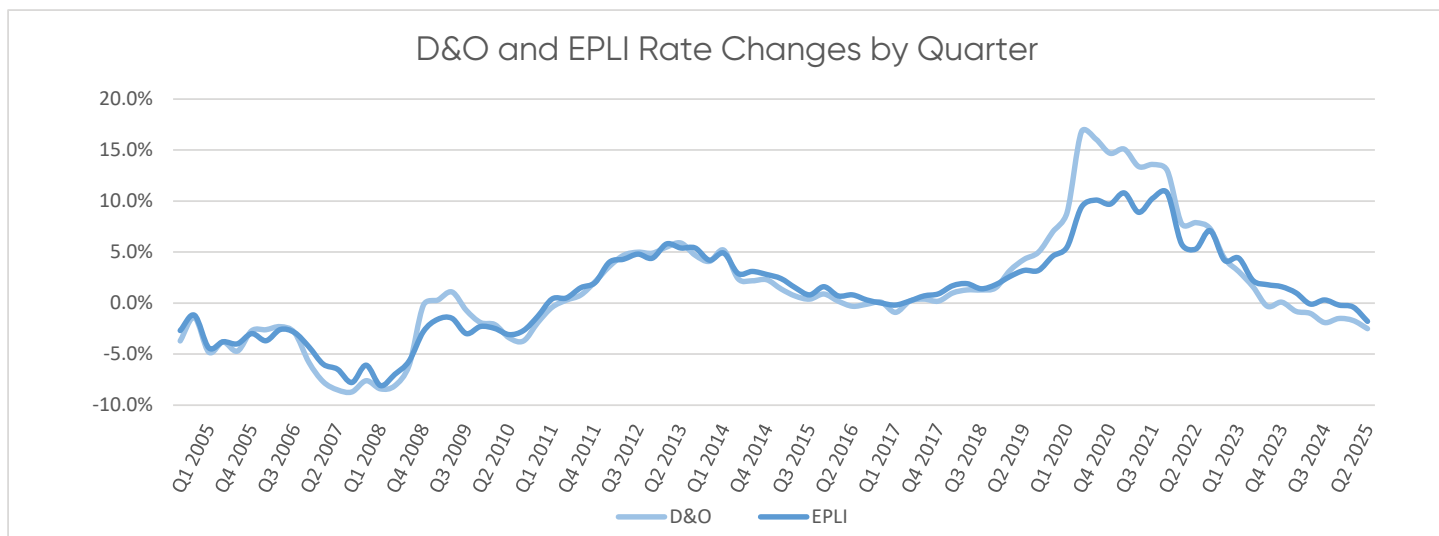
- While the most recent AM Best report reflects continued rate decreases, leading indicators and industry experts anticipate that rate declines will slow or vanish.
- Directors and their companies should not rely on continued rate decreases or a marketplace that accommodates tougher risks and exposures.
- Changes in the litigation environment, notably third-party litigation funding and an ongoing focus on the role of artificial intelligence and board negligence, are creating undercurrents that raise caution flags for directors and management.
- With business bankruptcies increasing, EEOC claims on the rise, and uncertainty looming over business resolutions in the Delaware Court of Chancery, the only constant is change itself.

Rate softening has been driven by more insurers entering the market and chasing fewer premium dollars. But carriers are becoming more careful with the accounts they take on, and they sense a looming growth in D&O and EPL complaints. Fitch reported earlier this year that D&O revenue is shrinking, and AM Best said that carriers are increasing defense and cost containment reserves, which may necessitate bolstering revenue through rate increases or, at minimum, putting the brakes on declines.

Factoring into carrier concerns are the numerous pressures companies and their boards are facing, such as increased shareholder activism, a growing number of employment practices claims, and heightened availability of litigation financing, which gives plaintiffs access to funding for lawsuits that are of dubious merit.

Shareholder activism has hit a record high in 2024, and activists are predicted to increase demands for mergers, acquisitions, or outright sales over the coming year, according to the Diligent Market Intelligence: Shareholder Activism Annual Review 2025. Additionally, CEOs, chief financial officers, and board directors are in the crosshairs of activists, and many companies are struggling to keep or attract qualified CEOs, creating potential management lapses.

FIGURE 1. D&O AND EPLI PREMIUM RATES OVER 20 YEARS



SOURCE: COUNCIL OF INSURANCE AGENTS & BROKERS

## The number of CEOs who left U.S.-based companies after an activist encounter almost tripled in 2024 with 67 of the 846 departures exiting within 12 months of a public demand by a dedicated activist fund.

- DILIGENT

The number of Equal Employment Opportunity Commission (EEOC) charges continue to rise, with a 9% year-over-year increase coming into 2025. Moreover, the landscape of complainants has broadened, with a panoply of discrimination complaints arising and plaintiff law firms, backed by litigation financing, willing to test new theories of liability.

### A LOOK AT D&O

Unpredictability in trade lines; tariff costs; consumer spending; diversity, equity, and inclusion rules; counter-DEI lawsuits; and environmental and other disclosure mandates are all playing into liability exposure for directors, officers, and the companies they run. Inigo's [2025 Defense Counsel Survey](#) done this summer says nearly 72% of respondents expect the number of new securities class action claims to rise over the next year. They largely cited the inability of companies to meet their declared earnings targets. Compounding D&O problems, shareholders and activists alike are scrutinizing executive pay and board director suitability.

While the current Securities and Exchange Commission (SEC) seems to be signaling a pullback of guidance by enforcement, more than three quarters of respondents to the survey said they think states and the plaintiff bar will counterbalance the SEC's leniency by filing more claims. In the antitrust field, respondents said they are already seeing this occur.

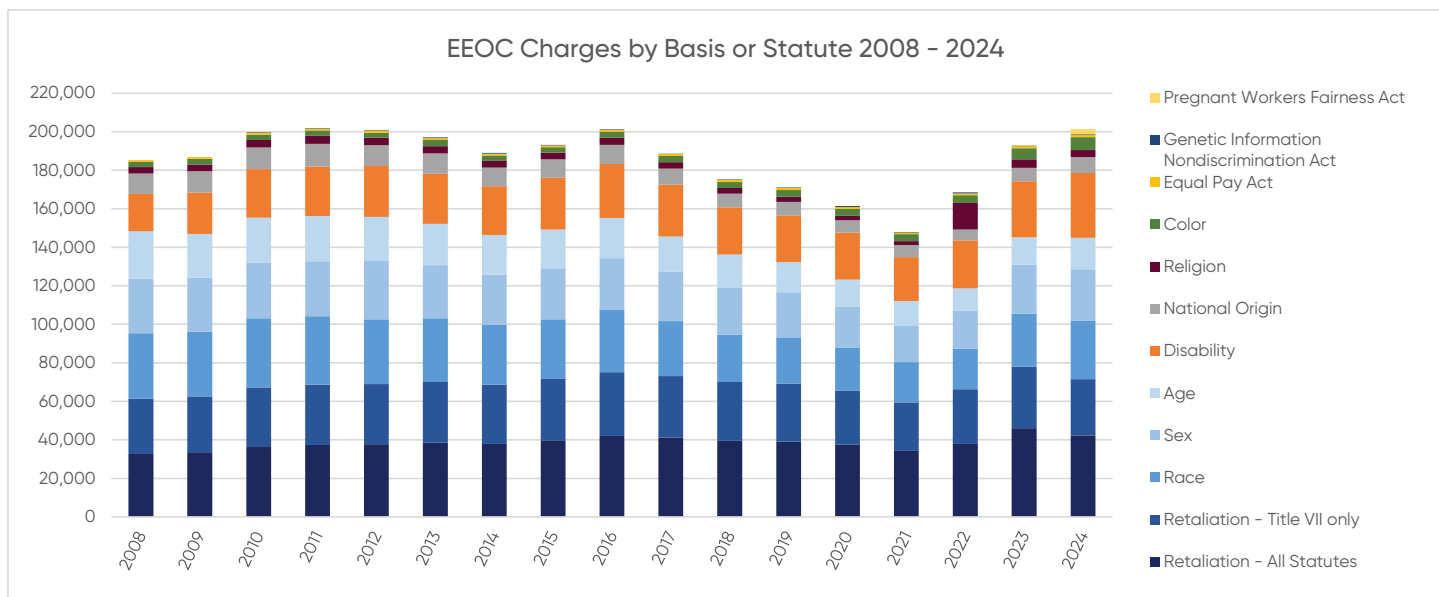
Another area experiencing a spike in lawsuits is artificial intelligence. Most of those suits have to do with "AI washing," where companies attempt to drive stock value by overstating AI capabilities. Cornerstone Research analysis from the first half of 2025 states two important findings:

1. Though the number of securities class action filings was about the same as in the first half of 2025, the overall value of the filings "increased considerably." The Maximum Dollar Loss Index grew to \$1.851 trillion in the first half, a 154% increase from the second half of 2024.
2. The number of AI-related filings portends a large growth in volume for 2025, with 12 actions filed in the first half of the year compared to 2024's full-year total of 15.

Cryptocurrency lawsuits against companies are also running ahead of pace, with six filings in the first half of 2025, compared to seven in all of 2024, according to [Cornerstone Research](#).



FIGURE 2: EEOC FILINGS CONTINUED TO RISE IN 2024



SOURCE: U.S. EQUAL EMPLOYMENT OPPORTUNITY COMMISSION

Business bankruptcies are above the norm, too, with commercial Chapter 11 filings at 911 in July, up 78% from July of last year, according to Epiq AACER data. Bankruptcies matter for D&O because they're seen as a bellwether for broader economic uncertainty and volatility, which are highly correlated with increasing numbers of shareholder claims for both distressed and financially stable companies alike.

Adding to D&O unpredictability is the so-called "Dexit" movement, the redomiciling of companies out of Delaware to states with friendlier regulations. Texas and Nevada, for example, are vying to become home base for companies that have become dissatisfied with court activism, most notably the ruling against Tesla's shareholder-approved pay package for CEO Elon Musk. While to date there hasn't been a material exodus of corporations from the state, some very high-profile companies have made the move and advocate for others to do the same. They say the once reliable Delaware Chancery Court has become unpredictable and the legislature hasn't been able to handle the extent of the problems. [State Senate Bill 21](#), which became law in March, addresses some of the major concerns companies have about their protections in the state, but Delaware's long-standing reputation as the preferred domicile has taken some hits. The situation has introduced substantial instability into the corporate law landscape. We'll continue tracking developments and provide updates as they emerge.

## EPLI UNDER STRESS

With the 2024 election, a cultural change has occurred, putting formerly popular DEI policies in the limelight—and corporate management in the hot seat. The ripple effect of the Supreme Court's 2023 ruling against affirmative action in colleges is still being felt as organizations of all types and sizes assess hiring, firing, and promotion policies for potential discrimination exposures. Additionally, in February, the EEOC's acting chair said in an announcement that the agency was ["putting employers and other covered entities on notice"](#) regarding abuses of immigrant labor.

The agency said it would be "cracking down" on companies that violate federal law that prohibits "national origin discrimination," and it included in that category employers with policies and practices that prefer "illegal aliens, migrant workers, and visa holders or other legal immigrants over American workers." Companies with heavy use of visa and immigrant labor will likely be disproportionately exposed to EEOC actions.

While the number of EEOC filings rose 9% from 2023 to 2024, retaliation claims saw a decline and pregnancy-related claims also appear to be down for 2025, the second full year of enforcement of the Pregnant Workers Fairness Act (PWFA). That said, abortion-related accommodations under the PWFA remain in limbo as of this writing, with a May ruling in *Louisiana v. EEOC* saying that the act's "[abortion accommodation mandate](#)" violated states' sovereignty in formulating their own abortion laws. EPL lawsuits on both sides of the issue have been filed.

Regarding the patchwork of employment practices laws nationwide, a [Norton Rose Fulbright survey](#) of employers found that managing compliance with various state employment laws is of concern to more respondents this year. Additionally, nearly half of respondents are concerned about the challenges of employee-data privacy. And 48% cited concerns that AI use will increase the potential for employment practices claims, up 12 points from last year's survey.

AI use in hiring is an ongoing exposure for companies. For example, the California Civil Rights Department's new rules clarifying how automated detection systems (ADS) for hiring, employee benefits, or job advertisements can violate anti-discrimination laws went live on October 1, 2025, so companies that use ADS may see increased EPL exposure. Colorado has similar legislation, but it has been delayed. On the flip side, the federal government and Texas have taken action to dial back regulations on AI, leaving more decisions to companies. With that leniency, however, businesses must exercise greater discretion on AI risk management to avoid complaints that aim to exploit the regulatory vacuum.

With regard to EPLI coverage, we are noting an uptick in exclusions for reproductive healthcare and artificial intelligence use in hiring for larger employers. More conservative retention approaches also are proliferating among industries with higher-severity claims, especially financial services and tech companies.

## ON THE HORIZON

"Pendulum" is the word that best characterizes the D&O and EPLI landscape at the moment. Some might say "whiplash." Mostly, we expect the political and cultural battle to continue, with employers caught in the back-and-forth as courts rule and get overruled and the plaintiff bar abandons old causes and invents new ones.

Yes, the Trump administration is decreasing regulatory burdens, but social and shareholder activists may take up that slack. Plus, social media's influence cannot be overstated: coverage is hyperbolized on everything from \$700 million failed rebrandings to indiscreet named executives' extramarital affairs. And everyone seems hungry for a pound of flesh.

With all the vagaries confronting corporate America, insurance companies are becoming more cautious with their underwriting, limits of insurance, and breadth of coverage. Clients should be prepared to demonstrate excellence in recordkeeping, vetting of directors and officers, audit and other financial controls, reputational protections, hiring practices, and safety metrics.

With the widespread cancellation of federal contracts, uncertainty over tariffs and supply chains, and burgeoning regulatory changes, it's hard for businesses to get steady footing. But with expert help from IOA, you can at least buttress your solid risk management with dependable financial protection against losses from D&O and EPL claims. Even in complex situations, we can help you build an insurance program that provides reliability in an unsettled marketplace.



## ABOUT INSURANCE OFFICE OF AMERICA

Insurance Office of America (IOA) is one of the largest privately held independent insurance brokerages in the United States. Founded in 1988, IOA is a recognized leader in providing property and casualty, employee benefits, and personal lines insurance and risk management solutions. Headquartered in Longwood, Florida, IOA has more than 1,400 associates located in over 60 offices in the U.S. For more information, visit [www.ioausa.com](http://www.ioausa.com).



We focus on your risk  
so you can focus on  
your dreams.



INSURANCE OFFICE OF AMERICA

[ioausa.com](https://ioausa.com)

The information contained here is intended to be general and advisory in nature. It is not to be considered legal advice of any kind.