

US D&O insurers impose opioid-related exclusions

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US D&O underwriters have introduced exclusions restricting the cover available to companies involved in the manufacture and distribution of opioids, *The Insurance Insider* can reveal.

Market sources said new clauses, which will stop payouts from opioid litigation losses, had been introduced into contracts over the last month.

The clauses are understood to affect renewing programmes only, but the measures come as at least three major drugs distributors prepare to obtain liability cover from the market in coming weeks.

Drugs firms seeking to renew cover are understood to include medical giant McKesson Corporation, which is currently the subject of a major shareholder derivative action.

Underwriting sources canvassed framed the new exclusions as a response to increasing pressure from senior management to reduce exposure.

"Given the uptick in recent litigation this just isn't a level of risk we can accept anymore," a source said.

"Some of the recent claims we've seen are extraordinary – small companies have paid out sums we would previously have expected to see in the largest D&O settlements."

The introduction of exclusions comes amid a slew of high-profile lawsuits launched as shareholder and governments seek to hold pharmaceutical companies accountable for the US opioid crisis.

So far thousands of states, counties, cities and North American Indian tribes have joined widely-cited litigation against drug manufacturer Purdue for its involvement in the marketing of painkiller OxyContin.

Last week consumer goods and medical conglomerate Johnson & Johnson settled a lawsuit brought against the firm by two Ohio counties for \$20.4mn.

An increase in the volume of opioid-related lawsuits and an epidemic of shareholder derivative actions in recent months has led several key markets to reduce their appetite for D&O business.

Major carriers including AIG, Chubb and QBE have curtailed their appetite for US D&O business following an uptick in major claims stemming a rise in shareholder litigation, social inflation and historic abuse claims.

Speaking to this publication in August, US D&O insurers [said they were declining](#) new risks unless they achieved at least double-digit rate rises.

Most D&O specialists canvassed said that even public US companies with clean accounts were receiving risk-adjusted rate rises of at least 10 percent at renewal because insurers cannot afford to absorb any more losses.

Earlier this year, AIG, which was formerly the most prolific underwriter of D&O business, cut aggregate limits by \$20bn and reduced policy limits of over \$10mn in lead positions by almost 35 percent.

Following AIG's pullback, Axa XL [took over the position](#) as largest writer of US D&O business, according to a report by Fitch Ratings published last week.

In its D&O market update the ratings agency said Axa XL reported written premiums of about \$510mn over the first half of the year, representing a 15 percent market share.

McKesson Corporation did not respond to a request for comment.

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