



Strategic Opportunities to Expand D&O in a Shifting Market Environment



As the hard market of recent years continues to moderate, Nationwide Management Liability & Specialty is poised to leverage its strength, stability and industry expertise to expand in to the primary D&O market.

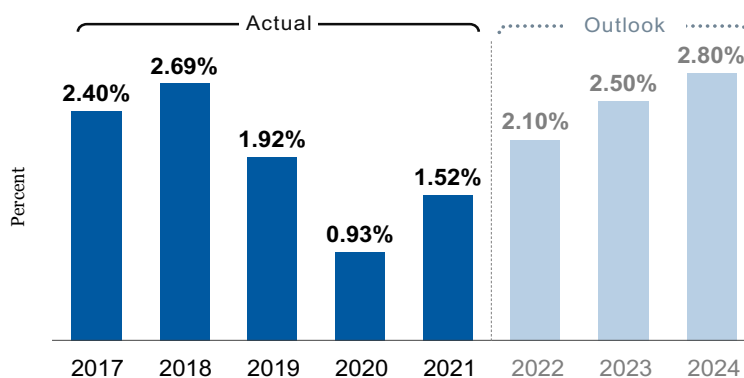
Trends driving the market

Two years into the COVID-19 pandemic, the effects of prolonged disruption are being felt on the economy. Rising inflation, climbing interest rates, supply chain challenges and labor shortages are impacting businesses around the globe.

In January 2022, inflation in the U.S. reached a 40-year high. Industry experts expect the Federal Reserve to respond by gradually raising long-term interest rates in the coming months and years to help curb the rapid rise of the cost of goods relative to the purchasing power of currency. For businesses, this means the cost of borrowing money will go up, which can negatively impact their bottom line.

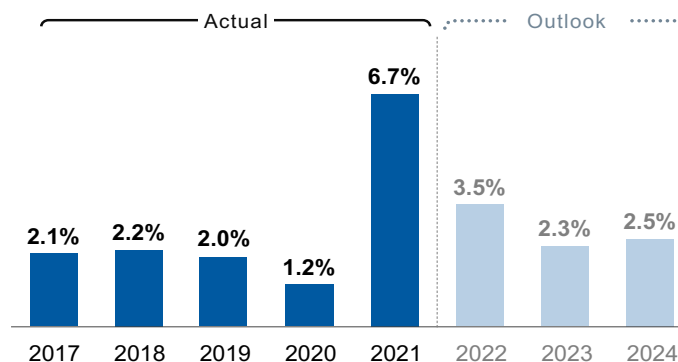
Long-term interest rates should climb modestly in coming years

10-year Treasury note yield (year-end)



Inflation to decelerate but should remain elevated into 2023

Consumer price index (Q4-to-Q4 change)



Source: BLS; Haver Analytics; Nationwide Economics (outlook)

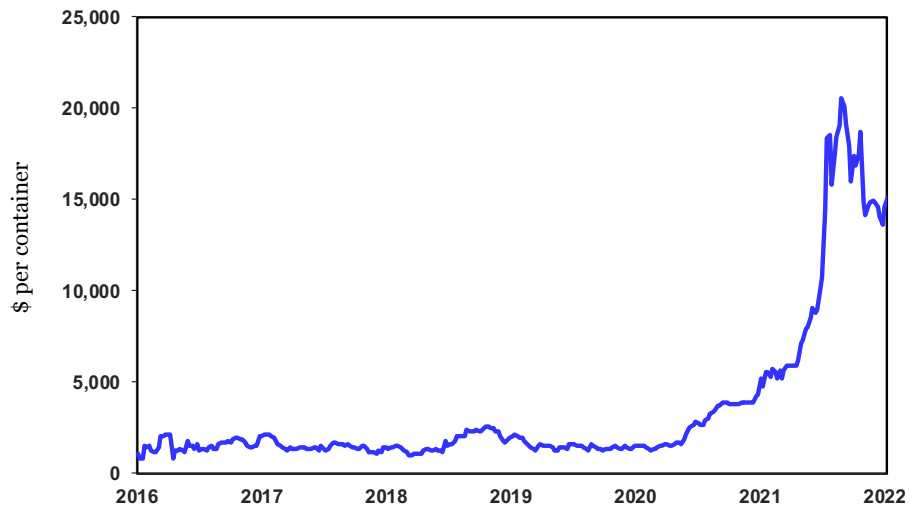
Strategic opportunities to expand

Also, points along the supply chain have been stressed throughout the pandemic, and experts predict the situation will remain unchanged for some time to come.

Supply chains remain stressed and could be for some time

Price to ship a 40-foot container from China to U.S.

January 23, 2022



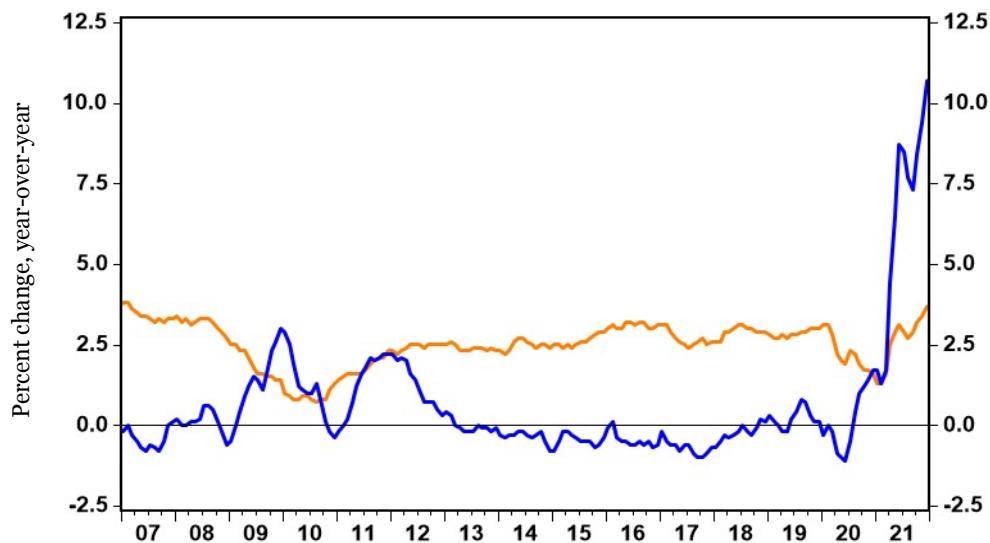
Sources: Freightos; Bloomberg

Challenges include bottlenecks in transportation and shortages of raw materials as the transportation industry and manufacturers continue to grapple with COVID-19-related closures and staffing issues.

Broken supply conditions are having a clear impact on goods inflation

Consumer price components

December 2021



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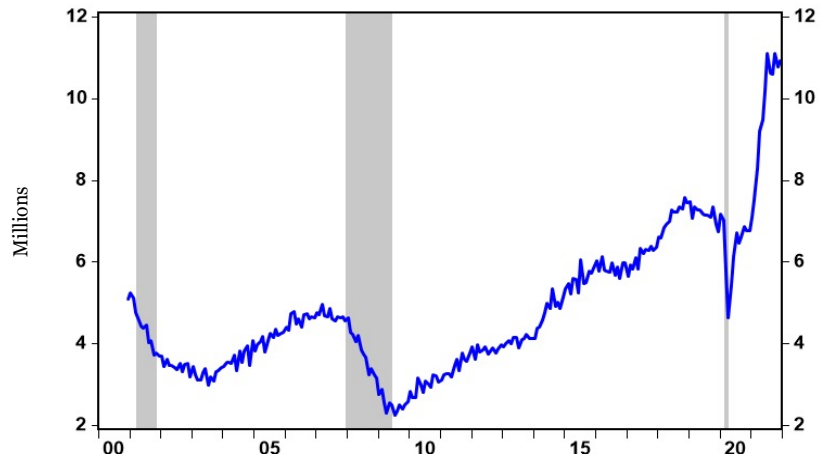
In addition, hiring demand from businesses remains strong at a time when there are fewer qualified and available candidates for open positions across a wide range of industries and fields. This means it is harder for companies to build new products and features and expand their business operations. The increased competition for workers is also driving up the cost of labor. All of these factors compound the widespread impact of supply chain woes.

The complexity and interdependencies of these broad-ranging uncertainties are adding to the list of risks directors and officers typically face that may impact their ability to deliver on their fiduciary responsibilities. This heightened risk can lead to an increase in litigation, which underscores the importance of D&O coverage in times of economic flux. Without protection from influences outside their control, executives may find themselves vulnerable to personal loss if they are unable to deliver on their performance goals or, in the worst case, their employer becomes insolvent.

These macroeconomic trends are accompanied by more specific trends within the insurance industry as well. An increase in claims frequency and severity combined with the premium inadequacy after a protracted soft market cycle, resulted in a shift into a hard market in the D&O space. This presented an

Hiring demand from employers is still very strong

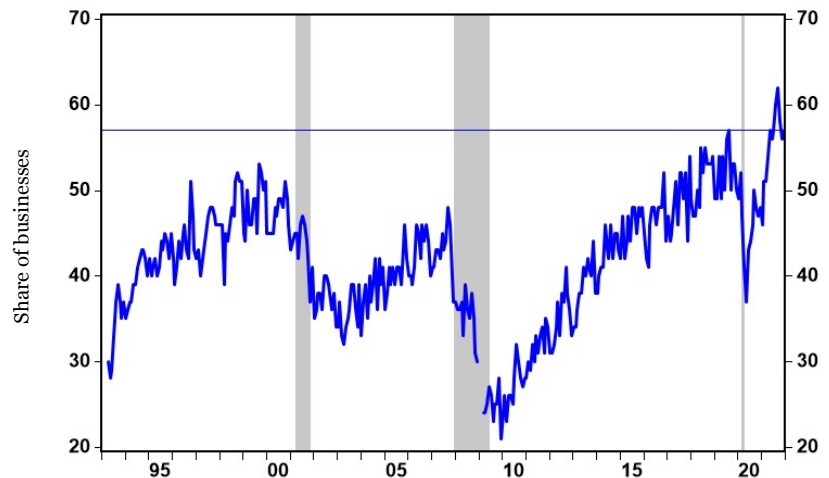
Job openings
December 2021



Source: BLS; Haver Analytics; Shaded areas depict recessionary periods

But labor remains in short supply, creating shortages in many sectors

Small businesses with few or no qualified applicants
December 2021



Sources: National Federation for Independent Business; Haver Analytics; Shaded areas depicts recessionary periods

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opportunity for insurers to take corrective action on historically low premiums and refine portfolio strategies to prepare for future opportunities.

In response to the increased rate momentum, the D&O market experienced an influx of additional capacity from new entrants looking to capitalize on the favorable rate trends. The increased competition has spurred longstanding carriers to find creative solutions to maintain competitive advantage in a shifting market environment.

A strong foundation meets market opportunities

Since its inception in 2007, Nationwide's Management Liability group has steadily grown to establish itself as a trusted carrier within the D&O space. Its robust balance sheet and strong financial ratings successfully positions it to pursue growth in a strategic and measured way.

Financial ratings



Amidst continued volatility and uncertainty within the macroeconomic and geopolitical landscape, Nationwide has taken the steps necessary to continue its business expansion. This includes refining risk appetite and capacity deployment to ensure that its core portfolio is well balanced for stability, sustainable growth and long-term profitability.

The organization is trusted for its extensive experience, exceptional industry knowledge and commitment to its brokers and insureds, which enable it to leverage the strength of its partnerships to help set the bar in the D&O market. As it continues to opportunistically expand its low excess participation in this space, it will look to position itself as a carrier that plays an integral role in driving the market. This strategy aligns with the evolution of Nationwide as a mature market with over 15 years in the D&O space.

Part of what makes Nationwide stand apart from its competitors, aside from its longstanding track record of offering consistent and reliable D&O coverage, is its top tier underwriting expertise and product servicing. This is accomplished by building a team of experienced underwriters with the knowledge and expertise necessary to understand the needs of the insured and the ability to navigate unforeseen complications that may arise. This underwriting excellence continues over the long-term, as underwriters progressively expand upon and fine-tune the skills necessary to serve their brokers and insureds as the market evolves.

With a strong foundation in place, Nationwide MLS is ready to take the next step in its growth strategy. The goal is to position it as a top-tier D&O carrier that can help to steer the market and be a leader in creating innovative solutions for the insured.

Strategic opportunities to expand

The organization is committed to establishing itself as a trusted primary carrier by leveraging its reputation as a dependable market with a consistent risk appetite. The group remains dedicated to maintaining a sustainable underwriting philosophy while prioritizing the needs of its insureds.

The MLS team has been engaged in active dialogue with its trading partners to communicate its strategic growth plan of expanding into the primary D&O market. By working with trusted partners to help develop this area of its portfolio, Nationwide will achieve measured, sustainable growth as its primary D&O product gains traction over the next few years.

Insureds who have primary D&O coverage with Nationwide can enjoy the security of knowing they are protected by an established carrier with a strong fiscal standing, that will also be a longstanding partner. As this growth strategy comes to fruition, Nationwide will be on track to become a trusted leader and a carrier of choice in the primary D&O space.

The benefits for brokers

Today, brokers have a finite number of carriers they can count on to write primary D&O risks. New insurers offering this product may lack the history of performance that brokers require to feel comfortable with the protection they are offering their clients.

Nationwide MLS has a 15-year-strong track record of performance with brokers and insureds in the D&O space. By expanding its primary offering, it can continue to leverage its consistency in quality and servicing that clients have come to know.

Brokers can lean on their existing partnership with Nationwide to offer clients additional options for reliable coverage from a trusted carrier.

The organization's reputation for underwriting excellence also means brokers have access to experts in the D&O market who can help them navigate the nuances of primary and excess D&O products to help them find the best fit for their clients' needs.

The critical role of claims

D&O policies exist to protect the personal assets of executives in case something goes wrong within their organizations. In the event of employment lawsuits, disappointed investors, compliance issues, an accusation of withholding information and other common or unique scenarios, D&O insurance offers peace of mind to both the employer and the executive should a claim be made against the policy.

When that does happen, claims professionals play an instrumental role in the outcome, so it's imperative to have a team of seasoned and knowledgeable experts on your side. Just as Nationwide MLS's underwriting team has specialized training in D&O insurance, the claims team is also dedicated to staying apprised of the latest trends impacting the industry, existing exposures, emerging risks, evolving market conditions and other factors that can impact insureds and brokers.

The MLS claims team is comprised of attorneys with a wealth of knowledge about management liability and specialty, in general, and the primary D&O market, in particular, in order to provide the best

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possible support to insureds during the claims process. They are committed taking steps that promote practical claims resolutions that benefit their Insureds. The team takes an active role in learning about issues that are unique to the primary D&O market.

Opportunities ahead

By entering the primary D&O market, Nationwide MLS continues to add value for both brokers and insureds. Backed by more than 15 years of strong, stable and innovative expertise in the management liability and specialty space, Nationwide MLS is poised to seize new opportunities to deliver mutual profitability for its partners.

Ready to learn more?

Find out more about Nationwide Management Liability & Specialty's D&O primary and excess offerings. Visit our site at: www.nationwide-mls.com

¹ Moody's (May 27, 2020).

² AM Best (Dec. 22, 2021).

³ Standard & Poor's (May 7, 2021).

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