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D&O + Side A DIC Benchmarking by Market Cap

1. Micro-Cap Public Companies (< $300M Market Cap)

Market Cap Range	Primary ABC Tower (Total Limit)	Typical Structure	Side A DIC Limit	Combined Total Protection
<$50M	$3M – $10M	Single or 2-layer	$2.5M – $5M	$5M – $15M
$50M – $150M	$5M – $15M	2–3 layers	$5M – $10M	$10M – $25M
$150M – $300M	$10M – $20M	3–4 layers	$5M – $15M	$15M – $35M

KEY OBSERVATIONS

- **Side A needed** due to:
  - Balance sheet constraints
  - Bankruptcy risk exposure
  - Exposure to Derivative Claims
  - Most Micro-Cap Companies do not purchase any Side A DIC or very low limits
- Securities class actions still material relative to company size.
- Many micro-caps prioritize **ABC Coverage over Side A DIC.** Mostly due to lack of education regarding the benefits of **Side A DIC.**

2. Small-Cap Public Companies ($300M – $2B Market Cap)

Market Cap Range	Primary ABC Tower (Total Limit)	Typical Structure	Side A DIC Limit	Combined Total Protection
$300M – $750M	$15M – $35M	4–6 layers	$15M – $30M	$30M – $60M
$750M – $1.25B	$25M – $50M	5–7 layers	$20M – $40M	$45M – $80M
$1.25B – $2B	$40M – $75M	6–8 layers	$25M – $50M	$65M – $125M

KEY OBSERVATIONS

- More balanced allocation between **ABC and Side A DIC**
- Increased participation from excess and specialty carriers
- Litigation severity increases meaningfully once market cap exceeds ~$500M
- Peer purchasing often targets:
  - **~2–4% of market cap in total D&O protection (ABC + Side A)** at lower end
  - Trending lower percentage as valuation increases (but absolute limits rise)

Side A DIC Benchmarking (Standalone Focus)

Market Cap Range	Side A DIC as % of ABC Tower	Market Practice
<$150M	0% – 50%	Heavily weighted to ABC Limits
$150M – $500M	50% +-	Balanced approach
$500M – $1B	50% – 60%	Leaning towards higher Side A exposures
$1B – $2B	50% – 75%	Higher concentration on Side A catastrophic losses

STRUCTURAL NOTES

- Side A DIC frequently:
  - Sits excess of full ABC tower
  - Includes drop-down + broader terms (non-rescindable, no exclusion for entity claims, etc.)
- Increasing use of:
  - **Larger Side A towers (multi-layer)** vs single standalone block

Limit Adequacy Considerations

1. Litigation Exposure Drivers

- U.S.-listed companies face:
  - High frequency of **securities class actions**
  - High frequency of **derivative claims**
  - Median settlements often:
    - *$8M – $20M for micro-cap*
    - *$15M – $40M+ for small-cap*
- Defense costs alone can erode:
  - $5M+ in complex claims

2. Balance Sheet Risk

- Micro and lower small-cap companies:
  - Higher insolvency risk ⟶ Side A critical
- Drives:
  - More balanced approach between ABC and Side A limits

3. Industry Sensitivity Adjustments

- Increase limits 25%–100% for:
  - Biotechnology / life sciences
  - Technology / SaaS
  - Crypto / fintech
  - High-volatility or retail-traded equities

Practical Placement Insights

Micro-Cap Strategy

- Optimize for:
  - **Side A protection first**
  - Lean but efficient ABC tower
- Typical design:
  - $5M – $10M ABC + $2.5M – $5M Side A DIC
- Consider:
  - Excess Side A-only layers before adding more ABC

Small-Cap Strategy

- Build **scalable tower with balanced protection**
- Typical design example:
  - $30M ABC + $20M Side A DIC
- Introduce:
  - Multi-layer Side A (e.g., $10M + $10M)

Cost Efficiency

- Side A DIC:
  - Often **20–40% cheaper per million vs ABC**
- Excess layers:
  - Significant rate decrease higher in tower ⟶ efficient way to build limits

Executive Benchmark Summary

Segment	Typical Total D&O (ABC + Side A)	Key Design Philosophy
Micro-Cap	$10M – $40M	Side A-heavy, insolvency protection
Small-Cap Low	$30M – $60M	Balanced program, emerging exposure
Small-Cap High	$60M – $125M	Multi-layer, litigation-driven scaling