Managing the insurer profitability tightrope

Energy Market Review

April 2025

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Market capacity figures

The figures quoted in this review are obtained from individual insurers as part of an annual review conducted in January each year. They are solicited from the insurance markets on the basis of securing their maximum theoretical capacity in dollars for any one risk. Although of course this capacity is offered to all buyers and their brokers, the individual capacity figures for each insurer provided to us are confidential and remain the intellectual property of WTW.

WTW Energy Loss Database

All loss figures quoted in the Review are from our WTW Energy Loss Database. We obtain loss figures for this database from a variety of market sources (including a range of loss adjusters), but we are unable to obtain final adjusted claims figures due to client confidentiality. The figures we therefore receive from our sources include both insured and uninsured losses in excess of $1 million.

Abbreviations

The following abbreviations have been used throughout this Review:

BI	Business Interruption
CAR	Construction All Risks
E&P	Exploration & Production
ESG	Environmental Social Governance
FID	Final Investment Decision
LNG	Liquefied Natural Gas
LOPI	Loss of Production Income
M&A	Mergers & Acquisitions
MGAs	Managing General Agents
Nat cat	Natural Catastrophe
OEE	Operators Extra Expense
PD	Physical Damage
S&P	Standard & Poor's
WELD	WTW Energy Loss Database

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How energy companies can take steps with confidence in 2025

Welcome to the first Energy Market Review of 2025. The softening market cycle continues for most sectors of the energy market and capacity is at an all-time high. This places insurance buyers in a strong bargaining position and promises good news for most.

But, as rates continue to fall, markets are balancing on a tightrope of profitability concerns versus increased growth targets that require them to grow their market share.

Deciphering the confusing market dynamics

Rate reductions are ramping up in the downstream market following a benign loss record in 2024, with markets quickly forgetting the many years of poor performance that preceded it. In the upstream market, insurers are writing so much construction business that many have already filled their 2025 budget, despite this being the long-time worst performing part of the portfolio.

Even seasoned readers of this Review will be forgiven for being confused by these market dynamics. It certainly raises the question of why insurers continue to offer rate reductions and write business with such ferocious appetite when they are so concerned about dwindling profitability.

The answer is simple: energy risks attract large amounts of premium, positioning the class as an attractive proposal for capital providers due to the large potential returns in a profitable year. This has driven the increased investment in the sector with several insurers working hard to cement and grow their market share despite profitability concerns.

Insurers are relying on their specialist underwriting teams to focus increasingly on risk selection, creating a flight to quality that has only intensified in recent years with the most favored risks being significantly oversubscribed and thus receiving the best terms. It is crucial for energy companies to do everything in their power to present themselves as the highest quality risk by providing detailed risk information, thorough risk engineering and loss modeling, as well as developing long-term relationships with key insurers.

In this Review, we offer a comprehensive analysis of the three key energy insurance sectors: upstream, downstream and energy liabilities, to arm energy companies with a thorough understanding of the driving forces behind the current market trends and enable them to make considered placement decisions.

Clean energy is putting growth opportunities on the horizon

The energy transition presents important growth opportunities for energy companies and insurers alike. But with any such fundamental change, comes new risks as well as opportunities.

Our specialists provide a detailed examination of one of the key clean energy trends, electrification of oil and gas installations through subsea cables. We give insights into the key risks associated with the different lifecycle stages of a subsea cable and offer advice on risk mitigation and on how to best present these exposures to insurance markets.

While subsea cable technology is already well utilized, many other clean energy technologies are not advancing at the pace many had anticipated and hoped for. Insurers who were relying on these new exposures to bolster their portfolio will unfortunately have to wait a little longer. Although insurers will not yet feel the benefit of this new-to-the-market premium, there is hope on the horizon for those markets who can successfully navigate the current profitability tightrope and are investing in building the expertise and developing the products to continue to support their clients' evolving risk portfolios.

For energy companies, there is much to be positive about when looking forward to the remainder of 2025. Although losses loom over upstream and downstream markets with the threat of deterioration throughout the year, market competition, particularly for the most favored risks, places buyers in a strong position to achieve competitive terms and pricing.

We hope that you find the Review to be insightful and look forward to discussing any of these topics with you in more detail and hearing any feedback that you may have.

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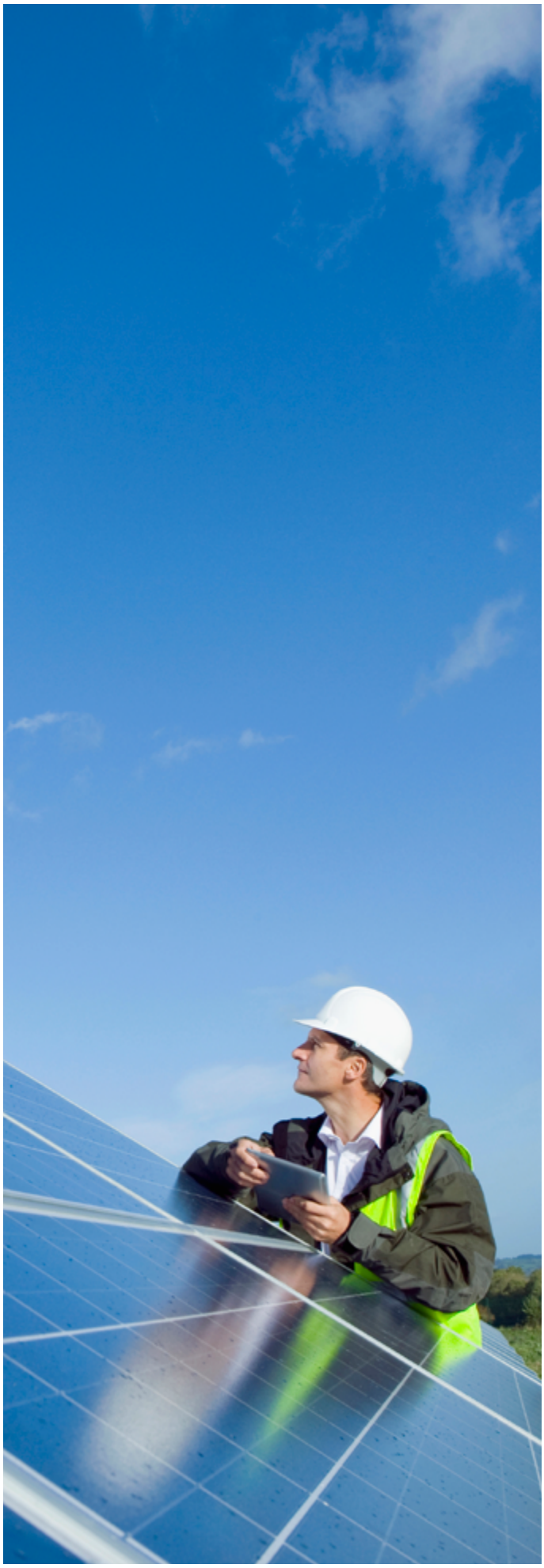


Trading short-term gain for long-term pain: Why energy companies need to think ahead about clean energy

The energy sector is at a crossroads. Protecting and growing revenue and securing energy supply have stepped up to challenge decarbonization goals as the ultimate immediate priority for the oil and gas sector. But how can energy companies strike the balance that will boost short-term financial growth, while positioning the business for longer-term sustainable success?

Investment is on the rise, but there's a steep hill to climb

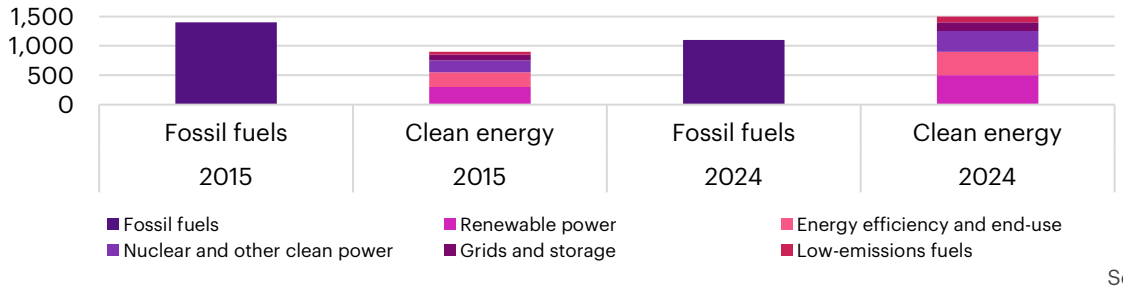
2025 is a big year for the energy transition and a key checkpoint for the natural resources industry to consider the next leg of their journey. 2025 marks the 10-year anniversary of the 2015 Paris Agreement where world leaders recognized the need to limit global warming to 1.5°C, the need for greenhouse gas emissions to peak before 2025 at the latest, and decline 43% by 2030.[1]

While progress has been made, it hasn't been made fast enough to hit targets aligned to the Paris Agreement. 2024 saw the global mean temperature exceed 1.5°C above pre-industrial levels for the first time[2] and an array of weather-related catastrophes, many of which were influenced by the effects of a warming planet, resulting in global insured natural catastrophe losses exceeding $140 billion, marking the fifth consecutive year of losses above $100 billion.[3] This is before geopolitical uncertainty, cyber-threats, changing regulations, stakeholder scrutiny and other evolving challenges are added to the mix.

Investment in clean energy has accelerated since 2015. The world now invests almost twice as much in clean energy as it does in fossil fuels.[4] This is a huge achievement, and mature technologies are reaping the rewards (Figure 1). Yet current investment levels represent only 37% of the annual $5.6 trillion required from 2025 to 2030 to meet net-zero targets.[5] Public and government funding will not be able to meet the levels needed to make and sustain markets. The clean energy transition will only succeed if investments generate the risk-adjusted returns that satisfy boards and investors.

Figure 1

Global investment in clean energy and fossil fuels, 2015 – 2024



Source: IEA, 2024

[1]https://unfccc.int/process-and-meetings/the-paris-agreement
[2]https://www.un.org/sustainabledevelopment/blog/2025/01/press-release-wmo-confirms-2024-as-warmest-year-on-record-at-about-1-55c-above-pre-industrial-level/
[3]https://www.wtwco.com/en-gb/insights/2025/01/wtw-natural-catastrophe-review-2024
[4]https://www.carbonbrief.org/analysis-clean-energy-contributed-a-record-10-of-chinas-gdp-in-2024
[5]https://about.bnef.com/blog/global-investment-in-the-energy-transition-exceeded-2-trillion-for-the-first-time-in-2024-according-to-bloombergnef-report/

Figure 2

Number of technologies along the IEA, Clean Energy Technology Guide readiness scale

26	69	100	158	189	55
1 – 3 concept	4 small protype	5 – 6 large protype	7 – 8 demonstration	9 – 10 market uptake	11 mature

Source: Clean Technology Guide, IEA

Technology tipping points: Where and when energy companies are placing their bets

Energy companies need to think ahead about their clean energy strategy, ensuring they have a roadmap that covers near- and long-term priorities that consider future demand scenarios as electrification continues, competition intensifies, and new business models emerge. At the centre of that will be new — and familiar — technology.

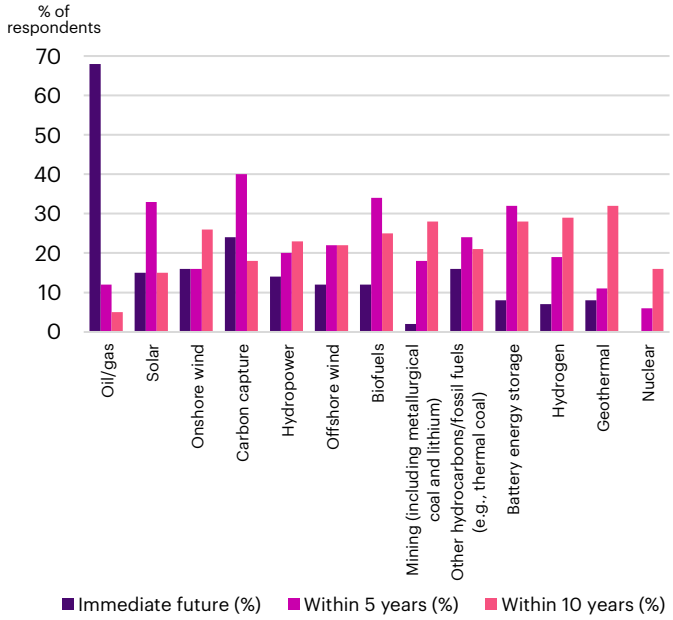
About 35% of the CO2 emissions reductions needed in IEA 2050 in a scenario consistent with the energy sector reaching net zero in the same year come from technologies that are still at the pre-commercial stage today.[6] The last update to the IEA's Clean Technology Guide showcased 597 individual technology designs and components that are expected to contribute to achieving the goal of net-zero emissions (Figure 2). At the lowest end of the 11-point readiness scale, nuclear fusion highlights the radical changes being explored through to technologies that have matured through the stages and are now in mass-market production. Many of these technologies build on existing iterations or could tap into skills that exist within the industry.

Solar was once at the low end of the readiness scale, but the world is set to add more than 5500 gigawatts of new renewable energy capacity between 2024 and 2030 – almost three times the increase seen between 2017 and 2023.[7] Changes in leadership will not change this, and analysis by BloombergNEF (BNEF) expects more than 900 gigawatts of new solar, wind and storage build in the U.S. by 2035 under a scenario in which investment and production tax credits are fully repealed.[8]

These insights are consistent with the findings from our Global Clean Energy Survey 2025, which illustrates the investment in technologies over the immediate, 5-year and 10-year horizons.[9]

Figure 3

Energy sector investment priorities



Source: Global Clean Energy Survey 2025

[6]https://www.iea.org/commentaries/reaching-net-zero-emissions-demands-faster-innovation-but-weve-already-come-a-long-way
[7]https://www.iea.org/news/massive-global-growth-of-renewables-to-2030-is-set-to-match-entire-power-capacity-of-major-economies-today-moving-world-closer-to-tripling-goal
[8]https://about.bnef.com/blog/five-energy-transition-lessons-for-2025/
[9]https://www.wtwco.com/en-gb/insights/2025/03/global-clean-energy-survey-2025-report

Immediate-term priorities

The impacts of the war in Ukraine continue to ripple throughout global supply chains, driving energy companies to focus on maintaining security of supply to keep the lights on – for the business itself and links across the entire supply chain. Meanwhile, political shifts in key regions such as the U.S. have changed the competitive landscape in oil and gas, creating opportunities to boost cashflow from fossil fuels in the short term. Maintaining stable energy supplies and healthy revenue flows are commercial priorities, but the need to participate in the clean energy transition is unavoidable.

Investments over the next five years

While opportunities to invest in traditional fossil fuels operations are being revived by recent world events, regulatory pressures to decarbonize operations remain. An uptick in emissions will follow fossil fuel activity. To address this, carbon capture is a key focus for energy companies. On a 5-year horizon, carbon capture outstrips all other technologies to take pole position as an investment priority for the oil and gas sector.[10] "This is surprising given that the technology has not yet been deployed on any large scale. However, the finding may reflect the prospect of tradeable carbon credits, certainty about the price for storing carbon, and the commercial opportunities for oil and gas producers from sequestering carbon in exhausted fields." Marie Reiter, Head of Global Broking Strategy, Natural Resources.

Plans for the next 10 years

The outlook over the next ten years is more mixed. Uncertainty over the performance potential and reliability of newer technologies hovers over investment decisions, and as the cost of capital remains volatile, leaning on established performance data will be critical to making the right investment decisions. Geothermal emerges as a top priority for oil and gas companies in the next 10 years (32%), while hydrogen follows as the second highest priority at 28% and battery energy storage solutions (BESS) at 27%.[11] The difference between these figures is so fine, that any of the top technologies could take pole position. It all hangs on how the technologies develop, how they prove their ROI, and how they align to longer-term business goals.

A spotlight on geothermal — a priority in the next 10 years

Geothermal energy could meet 15% of the growth in electricity demand between now and 2050 if project costs continue to decline.[12] Today's deployments are limited by local geography and distribution, but new iterations could open up expansion that could draw upon the expertise of today's oil and gas industries by using existing drilling techniques and equipment to go deeper under the earth's surface to tap into vast low-emissions energy resources.

[10] https://www.wtwco.com/en-gb/insights/2025/03/global-clean-energy-survey-2025-report
[11] https://www.wtwco.com/en-gb/insights/2025/03/global-clean-energy-survey-2025-report
[12] https://www.iea.org/reports/the-future-of-geothermal-energy

Figure 4

Geothermal progression

IEA readiness scale	Example
5 – 6 large protype	Closed-loop and hybrid deep geothermal systems: fluid is circulated in a closed-loop to harvest heat. This could support applications in low-temperature sedimentary resources, allowing for significant extension for geothermal resources and translation of oil and gas innovation and expertise.
9 – 10 market uptake	Kalina process: Heat is recovered from lower temperature geothermal resources using heat exchangers to vaporise a working fluid with a low boiling point (ammonia-water mixture) and drive a turbine.
11 mature	Flash steam plants, making up about two-thirds of geothermal installed capacity today, are used where water-dominated reservoirs have temperatures above 180°C. In these high-temperature reservoirs, the liquid water component boils, or "flashes" as pressure drops, with steam piped to a turbine to generate electricity.

Source: Clean Technology Guide, IEA

Striking the balance on clean energy risk for today and tomorrow

The good news is that in our Global Clean Energy Survey 2025, 100% of respondents reported having a clean energy strategy.[13] While three-quarters of pure-play renewables companies (71%) are at the implementing or fully implemented stage, traditional power businesses are not far behind at 63%, mining and metals at 46% and oil and gas falling behind at 36%.

But in bringing strategies to life, balancing immediate pressures to protect and grow ROI, while laying the foundations for a long-term road to decarbonization, remains the fundamental question on business leaders' minds.

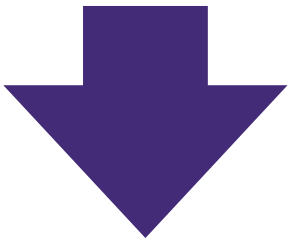
In the near term almost all emissions reductions can be delivered by technologies and measures that are already known and available. Both over- or under-investment can put strategies at risk and threaten the financial resilience of the business (Figure 5).

With many of the easier opportunities having been targeted, a solid strategy, an understanding of your risk appetite and a vision for the future is essential. For more resilient companies, using risk finance capital more strategically can leave funds free for investment in growth ventures as part of the energy transition. For natural resources companies with a lower risk tolerance, this could include spending more on premiums to reduce retentions and derisk the balance sheet.

As the natural resources industry increasingly diversifies into clean energy, the dividing lines between renewables and other sectors are blurring and there are increasing opportunities for crossovers between subsectors, which calls for increased knowledge sharing and collaborations within the industry and across insurance lines. A short-term siloed risk strategy needs to be challenged, and that starts with recognizing that a wide mix of technologies will be needed and continued innovation and development will be essential.

Figure 5

Finding your risk appetite

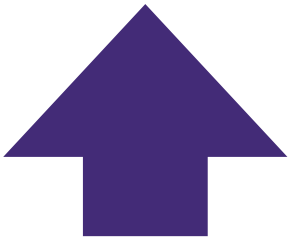


Underinvestment could potentially leave your company:

- Struggling to compete with those that are adapting more quickly
- Missing out on growth opportunities
- Exposed to greater regulatory risk

Overinvestment could create different challenges:

- Leaving companies with overstretched balance sheets
- Potentially creating stranded assets if projects do not materialize or perform to expectations



[13] https://www.wtwco.com/en-gb/insights/2025/03/global-clean-energy-survey-2025-report

Set your risk strategy up for success

Regardless of where the project is and the technology in play, risk leaders are under the spotlight. Project developers and owners have a responsibility to demonstrate how these risks are managed and to adequately meet the risk appetites of markets:

- **Financers**: Both private equity and commercial debt financiers are facing pressures to pursue the best ROI, with the least risky and most secure investment opportunities more likely to progress to a positive FID. "Lenders' insurance advisors are not always familiar with the physical attributes of financed projects, locations or technology risks. This makes it increasingly important to focus on risk fundamentals". Steven Munday, Global Head of Renewable Energy, Natural Resources.
- **Insurers**: There's appetite among insurers to decarbonize their portfolios, which has the dual benefit of broadening their premium pool while supporting companies as they transition and expand their own portfolio. "While some insurers have been quick to grasp this opportunity, seeing clearly how their existing expertise can be applied to these new exposures, others are approaching these risks with greater caution and showcasing well-engineered risks with thorough risk controls in place has never been more important." Alan McShane, Global Head of Risk Engineering, Natural Resources.

The next steps will never be more important and if the last 10 years have been any indication, there will continue to be trade-offs along the way. Some will be in our power, some won't. But putting yourself in the strongest position will mean building a strategic, agile and forward-looking approach to risk resilience, making the best use of industry specialism and partnerships, and ensuring you present your risks and opportunities with transparency.

It's why we're seeing leaders embrace a more strategic approach that goes beyond dealing with risks in silos and considering potential integration points with their existing infrastructure while also hunting for the next disruptive energy source. Future-ready companies are strategic about how to optimize risk spend to protect critical assets and operations and build financial stability to move ahead with confidence.

Actions risk leaders need to take to drive value in clean energy

- **Identify your risks and opportunities, making use of industry specialization**. As the dividing lines between business models blur, risk leaders should take advantage of deep subject matter specialism and on-the-pulse insights on insurance market trends that brokers combine to help you make informed decisions. From energy efficiency to pilot projects to gain experience and derisk investments, there are opportunities to partner with researchers, startups, governments and peers on future technologies, and risk needs to be part of the conversation in the boardroom.
- **Build a forward-looking strategy, backed by data**. Having a clear understanding of the aspirations for the future of the business is the bedrock of decision-making. Using these objectives keeps risk and finance leaders on track when navigating rapid change and transformation. Utilize data analytics and risk engineering models to evaluate the potential impact of different technology pathways and potential loss scenarios on your financial performance. Implement a robust scenario planning exercise to assess the resilience of your strategy under various market conditions.
- **Optimize your insurance spend to deploy capital strategically**. Analytics point to areas to retain risk that's costly in the market, or how best to spend on premium across all risks and set your limits at the most efficient level, in line with your organization's risk tolerance. Risk and finance leaders can make decisions knowing there will be no better option, and savings made on premium spend can then be deployed strategically in ways that best support the organization's future growth objectives.

Contact our oil and gas and clean energy specialists to build a sustainable future for your business:

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How energy companies can supercharge their electrification strategy with subsea cables

Risk management needs to be at the core of decision making

As the clean energy transition advances and electrification picks up pace, energy companies are balancing traditional operations with investment in new technologies to secure a competitive edge.

Business models are reshaping as oil and gas producers are increasingly looking at the integration of renewables to reduce greenhouse gas (GHG) emissions from the extraction and production of oil and gas. Subsea cables are key enablers as existing offshore platforms are retrofitted with electrified equipment, new electrified platforms are switched on, and energy is transferred across an increasingly connected network.

Energy companies have the opportunity to build on their existing subsea expertise and learn from early movers to build a future-proof strategy as they focus on their top priorities in meeting their clean energy goals.

Change is on the horizon

All installations in the Utsira High region are now supplied with power from shore, cutting emissions in the area by an estimated 1.2 MM metric tons/year of CO2.[14] On the horizon, the planned Marram Energy Storage Hub (MESH) in the East Irish Sea is designed to be an integrated energy system, connecting gas production, gas storage, hydrogen storage and offshore wind to provide energy to the UK. Offshore production operations will be fully electrified and powered by renewable energy.[15]

Figure 6

Short-, medium- and long-term priorities for energy companies

Immediate priority	In the next five years	In the next 10 years
Investments in new technologies	Divesting operations or business segments	Major modifications to existing assets ($250 million or more)
Raising capital	Major modifications to existing assets ($250 million or more)	Forming joint ventures or partnerships

Source: Global Clean Energy Survey 2025

[14]https://www.offshore-mag.com/regional-reports/north-sea-europe/article/55002337/north-sea-sleipner-gudrun-platforms-importing-power-from-shore

[15]https://energypathways.uk/announcements/6806698

Subsea cables can jumpstart new opportunities for the energy sector

Subsea cables enable four key opportunities:

1. Power transmission
Subsea cables connect offshore platforms to onshore power grids, providing a reliable and continuous supply of electricity. This reduces the need for onboard generators, decreasing fuel consumption and emissions.

2. Data communication
High-speed communication through subsea fiber-optic cables allows for real-time monitoring and remote control of offshore operations, enhancing safety and efficiency.

3. Interconnection
Subsea cables serve as interconnectors between offshore facilities, enabling the transfer of power and data between platforms, production sites and support vessels.

4. Renewable energy integration
Subsea power cables are used to transfer remote, renewable energy to platforms, removing the reliance on fossil fuels.

While many of the technicalities of a dynamic subsea cable will be different to existing offshore risers or umbilicals, parallels can be drawn in the installation methodology and connection point technologies. Risk-resilient energy companies will have existing contingency plans in place for traditional fossil fuel operations, and in many cases, the concepts can be extended to electrified processes:

- Considering inventory, including spare parts.
- Ensuring back-up generators and other equipment are on standby to power operations in the event of failure or disruption.
- Creating repair pools as mutuals in partnership with other companies that are connected in their subsea networks to ensure a repair vessel is on standby to avoid delays and downtime. PRSI in Norway is a good example of how this can work in practice, with the PRSI pool including 23 companies covering their offshore pipeline and power cable repair contingency.

Contingency plans will be a critical thread in negotiations with insurers, giving markets confidence that the company is taking a proactive approach to risk management and revenue protection.

Get clarity on your subsea cable risk exposures

To unlock these core four benefits, project owners and operators need to build the most robust and resilient program. Optimizing cost and coverage will be critical, and it starts with understanding the risk profile, from construction to operation.

Figure 7

Enabling benefits of subsea cables

Construction phase

Oil and gas companies face several complex challenges for both new and retrofitted projects.

The first being to decide who has the expertise to manage the project — will it be outsourced or managed in-house? Subsea cable installation is complex and niche, meaning that experience should never be underestimated. Poorly managed projects tend to have a series of loss events rather than one-off events.

Subsea cable manufacturers and installers have full order books. Manufacturing slots are often booked up by capacity reservation agreements before the final investment decisions have been made. The **lead time for cables can be in the region of four years or more**.

Most platforms require AC electricity, with the problem being that AC does not travel long distances well. A DC cable then requires substations to convert the DC electricity to AC electricity, which comes at additional costs and **leaves question marks over return on investment**. In addition, one of the terminations is likely to be a dynamic cable. Dynamic cables are less proven technology and are subject to environmental forces, increasing the risk of failure.

Increased cable crossings and **liability exposures**. It is likely the power cable is going to cross many pipelines and fibre optic cables of third parties. Crossing agreements with third-party owners of these assets need to be resolved.

Operational phase

In many cases, operators of offshore platforms connected to subsea cables will be exposed to similar risks to those impacting existing subsea assets (e.g. property damage due to anchor drags and fishing nets in shallower water, and liabilities from crossings) where both operators and insurance markets have more historical data and experience to model risk. But in connecting electrified platforms to an existing grid, there are **more single points of failure**. Business interruption as well as contingent business interruption need to be considered as core risks. If an asset in the electrification network goes down, the disruption could be significant.

Operators are reliant on the construction phase being completed to a high standard. **Faulty equipment or technology** can create operational failures, with disruption extending beyond 90 days in some cases as vessels and repair crews are in high demand.

Operating more specialist equipment needs more specialist skills and in a sector where talent is already in short supply, **attracting and retaining critical talent** is a core issue. Without a skilled and trained workforce, the risk of failure, and disruption to operations and revenue flow, increases.

Harness risk engineering insights to overcome insurance market challenges

When taking your risks to market, ensuring you are armed with data-driven and robust loss scenario analysis is the gateway for insurance markets to make informed decisions about terms, conditions and pricing. Since the electrification of offshore platforms is an evolving process, the amount of claims data available to model the likelihood of losses is more limited than traditional fossil fuel processes.

Insurers' senior management are assessing loss trends and there's been a hesitancy from upstream markets to get involved too heavily too quickly. Risk profiles are relatively niche compared to those in traditional portfolios, so when losses come through, the reaction from the market is more volatile. "Where loss data is scarcer for newer electrification projects, historic losses relating to existing dynamic technologies could help to model the loss likelihood, severity, and costs." Chris Ling, Executive Director Claims, Natural Resources.

Risk engineering will help to bolster these insights. By modeling the most likely and most severe scenarios for subsea cable risks, providing risk control recommendations, and benchmarking to optimize the risk program over time, contractors, project owners, operators and insurers can all make decisions with confidence.

"Although retrofitting offshore platforms presents different risks to building an entirely new electrified platform, subsea cables are a route for the upstream markets to support their ESG commitments and other regulatory obligations. Appetite is building and access to robust expertise is essential to develop a tailored program that aligns with your company's specific requirements." Thomas Mallindine, Head of Energy Transition and Development, Natural Resources.

Three key actions to optimize your approach to subsea cable risk

- **Assess infrastructure needs**: Evaluate existing infrastructure and identify opportunities for electrification using subsea cables.
- **Collaborate with stakeholders**: Engage with grid operators, policymakers, and technology providers to develop collaborative investment models and policy frameworks.
- **Use data to bring risk and finance together in decision-making**: Conduct risk engineering studies to model potential loss scenarios, and harness sophisticated analytical models, such as Connected Risk Intelligence,[16] to establish the optimal balance of cost and coverage.

Subsea cables are essential for transitioning offshore oil and gas platforms towards cleaner energy sources, enhancing operational efficiency, and reducing environmental impacts. However, they also present challenges related to installation and maintenance that require ongoing technological innovation and strategic management.

Contact our sector-focused specialists to find out how your business can supercharge your electrification strategy.

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Chris Ling
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[16]https://www.wtwco.com/en-gb/solutions/products/connected-risk-intelligence

How upstream energy insurance market forces are fueling the fire on (un)profitability

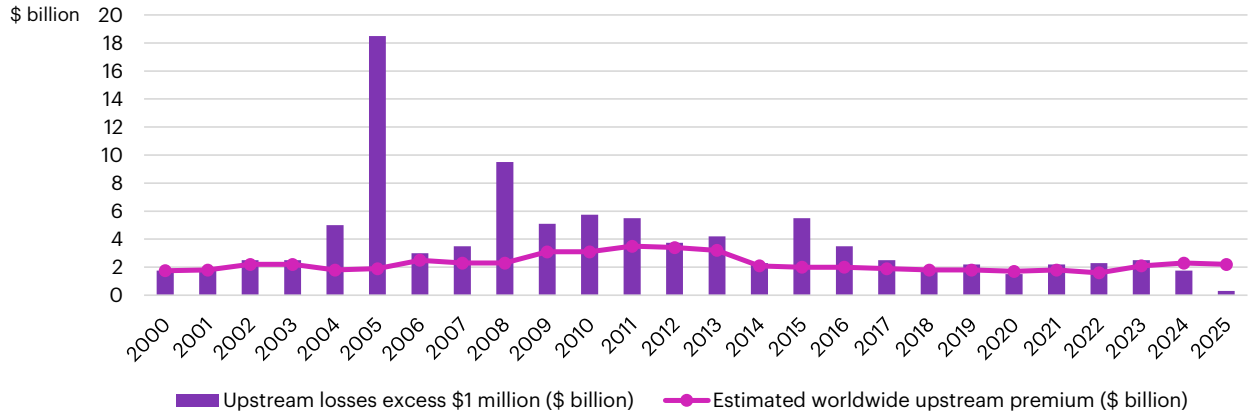
For upstream energy, an abundance of capacity and a relatively benign year of losses overall continue to fuel a soft market. Pricing is being driven down, but not yet in freefall. But is a soft market sustainable for the long term? Profitability remains a critical challenge for insurers, and poses the question of at what point will senior management redeploy capital to more profitable comparative classes.

At a glance: Upstream energy insurance market trends

- Softening market conditions have accelerated beyond predictions for the most attractive elements of the upstream portfolio.
- Capacity continues to climb and more underwriters are willing to take on leadership roles, driving pricing down.
- Insurers are under continued pressure to grow their market share, putting pressure on signings even when core business is placed at a significant reduction.
- For upstream insurers, the traditional follow-only role is hard to play. An uptick in quoting markets, alongside the resurgence of broker facilities, means that remaining competitive is more important than ever.
- Placements with significant premium volume continue to provide the most opportunity to generate larger rating discounts.
- The premium pool continues to dwindle, only supplemented by construction, but remains small in comparison to the exposures being insured, putting the sustainability of reductions under question.
- Alongside major construction losses, attritional losses have the potential to further deteriorate profitability despite the absence of large market-changing losses within the last 12 months.
- Putting yourself in the strongest negotiating position will mean showcasing robust risk management discipline, responsible claims strategies, data-driven risk engineering and long-term relationships with underwriters to secure the best possible rates and coverage.

Figure 8

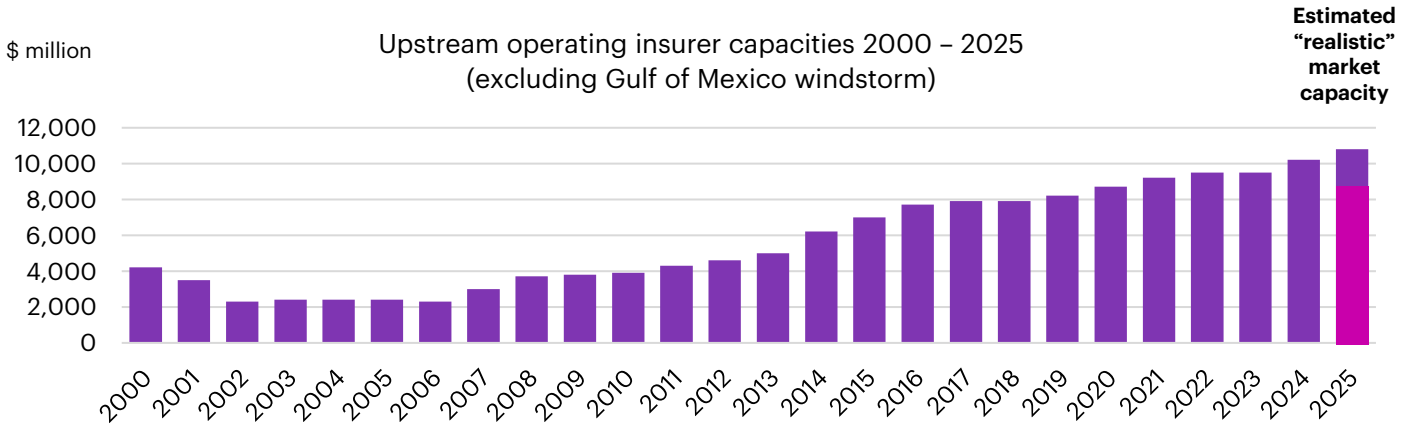
WELD upstream losses 2000-2025 (excess of $1 million) vs. estimated global upstream premium income



Source: WTW Energy Loss Database as of March 5, 2025 (figures include both insured and uninsured losses)

Figure 9

Operational capacity increases even further



Source: WTW

Capacity continues to climb

While there are no significant new entrants to the market, additional capacity of c $275 million from existing markets is contributing to a general c.5% growth in capacity from last year. Several insurers are increasing their capacity as they look to grow market share and quote more business.

The market is becoming increasingly competitive, with many underwriters eager to quote and lead certain business, driven by pressures to:

- **Remain relevant**: Many markets are eager to become more relevant and secure larger lines, but only on the most attractive business. The resurgence of broker facilities will likely drive further pressures on pricing as the open market order is reduced in a market already flooded with capacity. While this is welcome news for insurance buyers, it increases the need for smaller markets to work on remaining relevant to clients and brokers alike.
- **Maintain and grow market share**: Markets are positioning themselves to quote and lead more business. Although challenging in the current market, certain underwriters are stepping up to lead as a way of increasing their share on desirable business. This includes providing support for more challenging risks, such as construction, by writing them into the book alongside more favorable operational risks. While many markets are stepping up to lead, arguably, not all are suitable leaders. The suitability of a market to lead is often tied to their ability to provide a suite of services including claims leadership, wording expertise, local knowledge and engineering capabilities. Brokers have a key role in helping clients weigh up what is of most value to their business: comparing the benefits of pricing vs. other services is critical to make an informed decision.

This is creating a contradictory pressure where, despite diminishing profitability of the book, there is no immediate sign that capacity is leaving the market, reinforcing the downward pressure on rates. Markets are approaching a tipping point where profitability sinks too far beneath comparable classes, which will present a more logical and appealing proposition to allocate capital. Well-established markets with proven results over many years and deeper reserves are likely to be better positioned to ride out this period of reduced profitability.

A spotlight on construction

Every year, most markets are under pressure to grow. But as major upstream sector players diversify into clean energy technologies and battle premium shrinkage - driven my self-insurance and M&A activity that inevitably leads to economies of scale premium reductions - growth from traditional upstream oil and gas is very challenging.

This is where upstream construction projects have historically played a key role, by aiding markets to hit their new business growth targets in a sector where there is little truly new business. But history has shown us that long-tail construction losses tend to materialize and worsen many years down the line. In the offshore construction market, underwriters are balancing their budgets, with some cautiously re-entering the market after years of absence. Insurers are dealing with the complexities and risks associated with large construction projects by evaluating risks on a case-by-case basis. This is driven by numerous factors, such as the anticipation of reduced lines on oversubscribed operational business and the desperate need to remain relevant to both brokers and clients.

The start of 2025 has seen many underwriters fill their construction budgets for the year, particularly with large projects such as those in the Middle East. This is likely to reduce appetite for all but the best construction projects for the remainder of the year as insurers have the scope to be more selective.

> **Construction is an area of the portfolio which has suffered from a particularly poor loss record. Paradoxically, construction is also the element of the book that has offered the most genuine new business...**

...particularly in the post-COVID-19 era. During the past 2 – 3 years, the number of projects achieving FID and seeking insurance coverage has increased, some requiring significant amounts of capacity. However, this has been accompanied by a spate of losses most of which have been generated from the subsea element of the portfolio. As a direct consequence, we have seen rates increase and available capacity for subsea exposures become significantly restricted. Some placements are also struggling for completion as insurers become increasingly selective in the risks they write, particularly where an insured has no operating relationship. Even for non-subsea CARs, some insurers have started to seek minimum rating levels for excess layer placements, a phenomenon that presents challenges for placing brokers when a sizeable commercial market limit is required." Paul Braddock, Head of Upstream GB, Natural Resources.

Competitive pricing is creating a race to the bottom of the rate pool

"We very clearly have a two-speed market in play with operating capacity outstripping demand and the increasing competition in the upstream market accelerating the race to the bottom of the pricing pool. But construction risk rating is heading in the opposite direction with contractors and onshore business pitching somewhere in between." George Richardson, Senior Broker, Upstream, Natural Resources.

Premium in the market is estimated to be around $2.5 to $2.6 billion, with construction projects continuing to contribute significantly to the total.

Although risk appetite varies for each insurer, the most attractive business tends to be clean offshore operational accounts with significant premium spend.

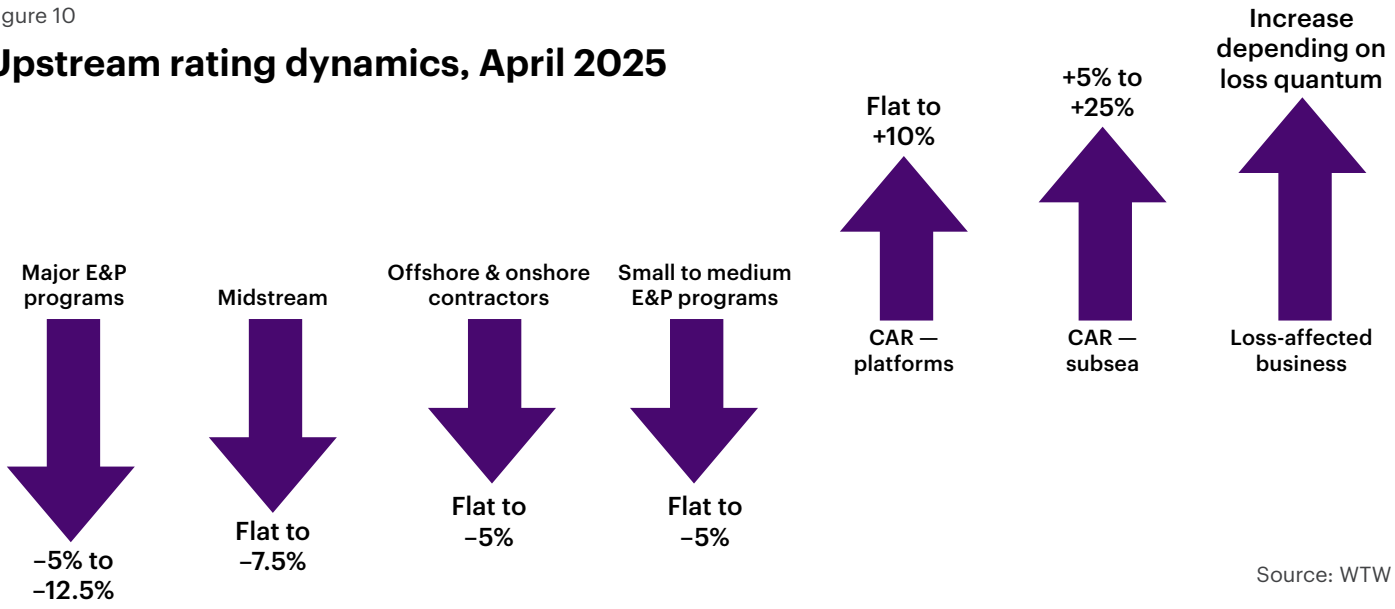
Reductions for offshore operating rates are exceeding expectations, with 5% – 10% reductions at the close of 2024 now stretching to 5% – 12.5% in some cases.

Despite these reductions, there is an increased focus on technical rating adequacy from certain markets who remain more focused on long-term profitability rather than top-line growth. These underwriters prioritize technical pricing over percentage reductions. While insurers don't want to lose large premium accounts, some carriers aren't supporting pricing they deem to be too far below rating adequacy. "While meaningful premium on the slip continues to wield the most power over rates and pricing, it is important to balance short-term gains with long-term stability. Solely upstream-focused underwriters are reliant on writing lines on large operating accounts where the premium is too valuable to lose. But for big lead markets that write a diversified natural resources portfolio, they have more scope to be selective on the risks they write without the same degree of premium-driven pressures." Richard Burge, Chief Broking Officer GB, Natural Resources.

The market is competitive, but not uniformly. The trend of 5% – 12.5% reductions isn't shared across all subsectors of the portfolio due to their varied loss performance and premium income.

Figure 10

Upstream rating dynamics, April 2025



Source: WTW

Figure 11

Upstream losses excess of $50 million, 2024

Category	Cause	Location	PD $	BI $	OEE $	Total $
MOPU	Unknown	Asia	175,000,000	—	—	175,000,000
Platform	Unknown	Europe	—	156,000,000	—	156,000,000
MOPU	Windstorm	Asia	151,228,900	—	—	151,228,900
Platform	Fire + explosion/VCE	Latin America	150,000,000	—	—	150,000,000
Rig	Faulty work/op error	Europe	108,500,000	23,000,000	—	131,500,000
Well	Blowout no fire	North America	—	—	130,000,000	130,000,000
MOPU	Heavy weather	Africa	93,000,000	20,000,000	—	113,000,000
Pipeline	Mechanical failure	Pacific	100,000,000	—	—	100,000,000
Vessel	Heavy Weather	Latin America	52,804,770	—	—	52,804,770
Rig	Misc	Africa	50,000,000	—	—	50,000,000

Source: WTW Energy Loss Database as of March 5, 2025 (figures include both insured and uninsured losses)

While our WTW Energy Loss Database records approximately $1.5 billion in losses for 2024, we expect these to deteriorate further as loss estimates worsen and deferred construction loss activity adds to the totals.

A trend to watch

The allocation of dollars for catastrophic events in various regions such as Mexico, Australia and North America, influences the decision-making process for underwriters. Underwriters must balance the risk and return of insuring upstream energy risks versus other classes. Catastrophe events such as wildfires in North America and wind events in the Gulf of Mexico can directly impact treaties, adding cost pressures to insurance markets even when these losses do not directly relate to upstream exposures. ESG pressures continue to loom in the background, and if profitability of the upstream business dips too low, certain carriers may choose to exit the class to deploy their capacity in more profitable and less ESG-challenged sectors.

The high loss activity has led to increased nervousness and caution among market participants. There is a concern about the sustainability of certain parts of the portfolio. However, one bad year is now unlikely to overturn the softening market.

Death by a thousand cuts: attritional losses are on the rise

As rate reductions further erode overall premium volumes, attritional losses are chipping away at profitability for the upstream book. In a market where treaty retentions increased significantly a couple of years ago, forcing insurers to retain more risk themselves, attritional losses are becoming detrimental to profitability.

As more and more of the premium-generating accounts receive year-on-year compound discounts, underwriters fear for the profitability of the book as a whole. The market is beginning to carefully consider the impact of these attritional losses on future underwriting and pricing strategies. But while the risk of losing business may be too high to take action as yet, underwriters are focusing on balancing their book where high-quality operating business income needs to offset some of the more challenging parts of the portfolio.

2023	2024
151 attritional losses **56.4%** of loss amounts equivalent to nearly $1.5 billion	**85** attritional losses **28.9%** of loss amounts equivalent to nearly $500 million

Source: WTW Energy Loss Database as of March 5, 2025 (figures include both insured and uninsured losses)

Many worry that unsustainable margins in the oil and gas sector might lead management to exit, but there's no evidence of this yet. Capacity hasn't withdrawn, and with more hiring of upstream energy underwriters and ambitious growth plans, it appears the class remains attractive compared to other specialty lines.

Terms and conditions remain stable

Since our last update, changes to terms and conditions have been minimal with the exception of some insurers pushing to limit coverage for strikes and riots as well as malicious damage. We are resisting the imposition of these restrictive and potentially costly exclusions, but this trend is something to watch in 2025 — particularly for Europe.

When there's nowhere left for pricing to go, broadening of terms and conditions may be the next angle for insurers to demonstrate added value to secure business. Coverage improvements could be of greater value than rate reductions which can be reversed more readily. But for now, insurers' focus remains predominantly on price adjustments with coverage enhancements on the more distant horizon.

Positioning yourself for success in a soft market

Although premium on the slip continues to wield the most power to influence rates and pricing, upstream energy companies that provide comprehensive risk information and maintain strong relationships with underwriters will attract more interest from the market, leading to better outcomes in terms of coverage and pricing.

Demonstrate a sophisticated approach to risk

- Providing comprehensive and up-to-date risk information, including valuations, show a proactive approach to risk management, giving markets confidence.
- Providing detailed risk analysis and utilizing analytical tools to predict and manage potential losses can be an impressive differentiator, elevating the sophistication of your risk presentation and boosting appetite from insurers.
- Having a good claims history and demonstrating effective risk management can positively influence terms. Sharing lessons learned from past losses and presenting loss prevention studies indicates commitment to continuous improvement and risk mitigation.

Build strategic relationships with markets

- Building and maintaining long-term relationships with underwriters can lead to more favorable terms, as underwriters value consistency and reliability.
- Ensuring that presentations to the market are thorough and well-prepared, including solid engineering and risk management practices, can make a significant difference.

The upstream market remains divided. The most desirable business is increasingly securing favorable terms, but trickier risks in the portfolio continue to be a challenge. With the divide increasing even further, markets are attempting the difficult balancing act of running a sustainable margin amongst a significantly varied and volatile portfolio.

In a soft market, upstream energy companies have scope to leverage the competitive market by seeking better pricing, terms and conditions. But remaining watchful of market undercurrents will be critical to making the right risk and insurance decisions.

Contact our specialists to find out how your organization can build a smarter way to risk.

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The outlook for downstream energy: Softening conditions remain on course

By the end of 2024, insurance buyers experienced a steady and meaningful market softening. With benign loss activity hovering around $1.417 billion resulting in a rare profitable year for the downstream market, there was a hope of a brighter outlook for underwriters.

But the tide turned. The market has had significant loss activity in Q1 2025 with $1.5 billion of potential losses, more than the entire 2024 year.

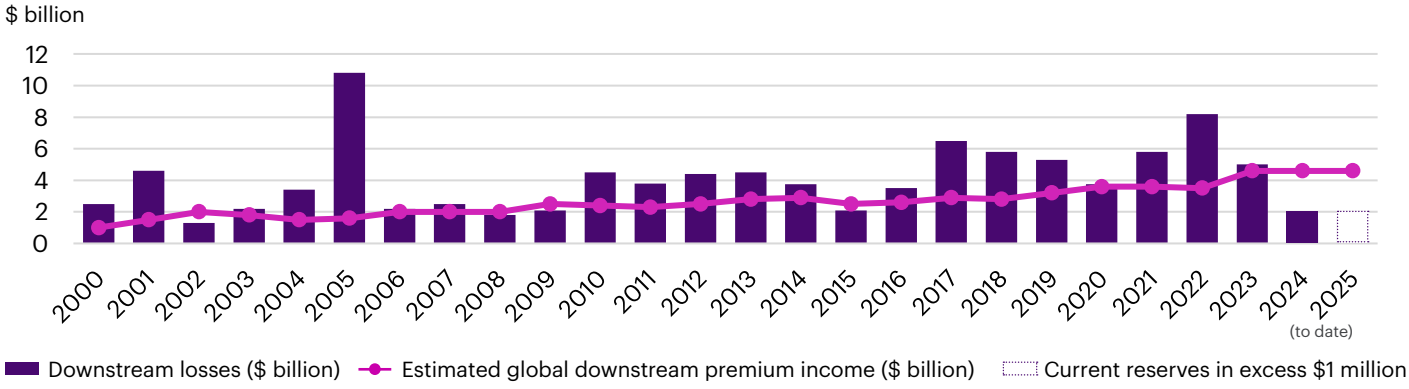
Despite this, our overriding prediction is that softening market conditions will remain on course throughout 2025. This could be derailed by several external global factors and further claims that could deteriorate loss ratios for the remainder of the year. In navigating this changing market, downstream energy companies can take advantage of soft market credits to withstand any volatility on the horizon, and others more focused on rates can optimize their insurance spend as insurers compete for top-tier business.

At a glance: Downstream energy insurance market trends

- The resurgence of soft market credits is the headline trend for 2025 so far, with long-term agreements (LTAs), prompt payment credits and no claims bonuses on offer.
- LTAs are providing opportunities for downstream energy companies to build some future certainty into their risk transfer programs.
- Capacity has increased modestly, but more significantly underwriters are willing to use more of their risk dollars on the best accounts.
- The market is seeing increasing competition for quality business and new premium.
- To maintain market share, (re)insurers are offering buyers more incentives to secure business.
- Rates are dropping, but are not in freefall.
- Evidencing risk engineering and high-quality information remains a determining factor as to whether companies get a greater reduction.

Figure 12

WELD downstream losses 2000 – 2025 (excess of $1 million) vs. estimated global downstream premium income



Source: WTW Energy Loss Database as of March 6, 2025 (figures include both insured and uninsured losses)

2025 treaty renewals are a two-sided story

Global downstream energy insurance markets all share the perspective that treaty renewals in 2025 have been relatively uneventful. Most markets have performed well in previous years, but high loss activity in the U.S. has negatively impacted all regions' pricing trends. Although the consensus is that treaties renewed well from underwriters' perspectives, catastrophe losses – particularly severe wildfires and flooding – are creating a different global story, and the market is running an increasingly complex narrative. From hurricanes in Florida to wildfires in California, the long-tail damage of commercial property losses is likely to deteriorate treaties' profitability as the year progresses.

Working capacity is stable, but the appetite to use this capacity is the bigger story

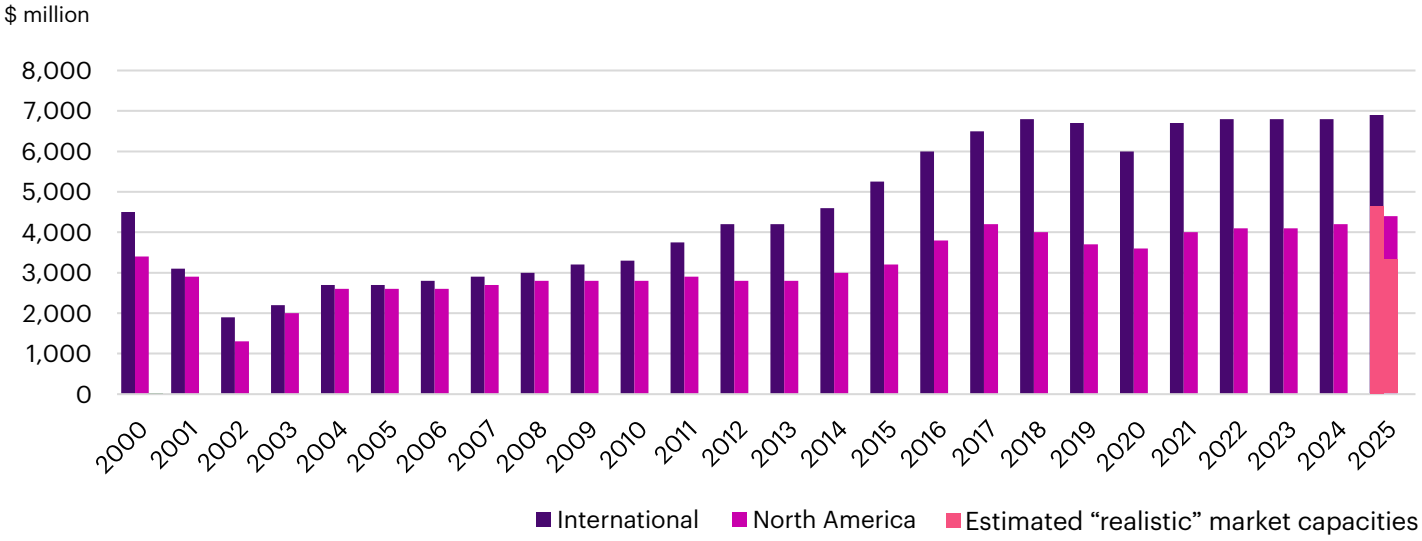
New capacity continued to enter the downstream market in 2024, as a result, existing markets became more flexible with their pricing and overall appetite. Many carriers also increased their line sizes, making complex layered deals easier to place. In 2025, while working capacity for pure-play downstream oil and gas has increased only slightly, the drive to use the capacity has significantly increased. Meanwhile, the midstream market – particularly liquified natural gas — continues to attract big capacity with c.$150 – $200 million added since our last review, and some markets hungry to increase their market share and shake up the incumbent leaders.

Downstream energy markets are focused on maintaining their market share

In a market where most downstream books are saturated, insurers are focused on maintaining their market share. While some smaller insurers are less willing to compete for new business, bigger players have come out of the blocks early and are engaging with brokers more regularly. To maintain income, smaller insurers may be more likely to sign up to broking facilities or pivot to deploy their capacity on retro deals rather than the original placements. While strategies vary, the market shares an understanding that good behavior and flexibility in negotiations will be rewarded with a better chance of securing business. For now, the days of placements having large differentials are over and there is sufficient capacity in the market to allow simplification of placements.

Figure 13

Global downstream insurer capacities, 2000 – 2025 (excluding Gulf of Mexico windstorm)



Source: WTW

Figure 14

Downstream losses excess of $50 million, 2024

Category	Cause	Location	PD $	BI $	Total $
Chemical	Fire + explosion	North America	66,000,000	133,000,000	199,000,000
Petrochemical	Fire no explosion	North America	45,000,000	140,700,000	185,700,000
Petrochemical	Windstorm	North America	41,000,000	50,000,000	91,000,000
Gas plant	Mechanical failure	North America	20,000,000	70,600,000	90,600,000
Refinery	Fire + explosion/VCE	Europe	4,900,000	65,800,000	70,700,000
Petrochemical	Fire no explosion	North America	37,000,000	20,500,000	57,500,000

Source: WTW Energy Loss Database as of March 6, 2025 (figures include both insured and uninsured losses)

Could 2025 losses change the course of the market?

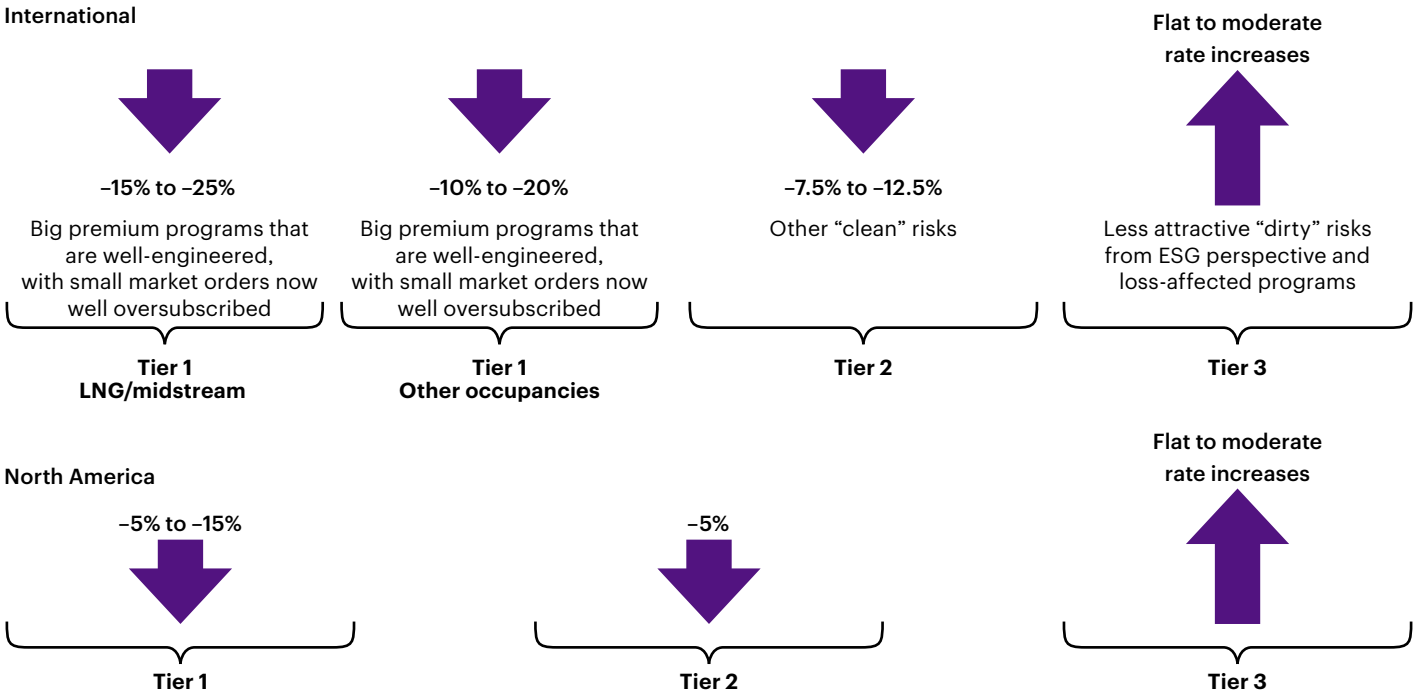
The start of 2025 has shown a worsening loss record compared with 2024. While the 2024 loss activity was modest, significant loss potentials have already appeared in 2025. While these loss reserves are early approximations, the signs point to likely payouts being high. A further significant loss in the Asian market could compound these global figures, despite downstream energy companies making every effort to limit business interruption losses.

Soft market credits are making a resurgence in pricing negotiations

For now at least, the softening market sentiment looks set to remain, with high single-digit and low double-digit rate reductions the norm for most placements. As the market continues to soften, some well-engineered placements with large premiums and robust risk information could achieve up to 25% reductions. While markets are not yet yielding on terms and conditions, credits available in soft markets — such as long-term agreements and no claims bonuses — are starting to appear on placements.

Figure 15

Current downstream market rating movements, April 2025



Source: WTW

Downstream energy companies need to consider the value of these soft market credits. For companies seeking stability and security, an LTA could be a valuable option to provide certainty of premium spend, particularly considering the uncertainty created by the recent market losses. It is possible to hedge your bets by placing a proportion of the risk on an LTA, giving a level of certainty, while keeping the remainder of the placement renewing annually which may benefit from any further rate softening. For companies whose primary focus is rate optimization, LTAs might not be as appealing if there are potential rate reductions in subsequent years.

A three-year deal can offer both advantages and disadvantages

Advantages	Considerations
Stability and security: It provides a longer period of security for both parties, ensuring a steady relationship.	**Lack of flexibility**: Being locked into a longer-term agreement can restrict flexibility if circumstances change or the deal is not beneficial over time.
Potential cost savings: Often, a longer-term commitment can result in cost savings or better rates compared to shorter contracts.	**Commitment risks**: LTAs may leave clients tied into terms that are no longer favorable. Insurers on the other hand will have a number of caveats allowing them to break the LTA such as loss ratio triggers, material risk changes and treaty movements.
Time to develop relationships: It allows for the development of deeper relationships and understanding, which can be beneficial.	**Potential for complacency**: Both parties might become complacent in their performance or service delivery, and pressure to strive for continued improvements could diminish.

> **Most leading markets today are open to negotiations, but changing the layering to simplify placements can introduce new leaders to the panel and gives incumbent lead markets opportunities to offer something different. Brokers have a responsibility to bring these opportunities to the table, keep markets competitive and ultimately support downstream companies in making smart decisions.**
>
> Kieran McVeigh
> GB Head of Downstream Energy Broking, Natural Resources

Simplifying placements remains a trend

Appetite is up across the board. While London market movements are outpacing other regions with more aggressive pricing strategies, the Middle East and U.S. markets are also looking to maintain and grow market share. “For the Middle East in particular, business that is well maintained and risks that are well engineered are driving competition among underwriters in the region” Andrew Brunero, Global Head of Downstream Energy Broking, Natural Resources. Africa remains a more challenging market due to political volatility, with less commercial placements making it into the global reinsurance markets. Political headwinds are also impacting South Africa, where alongside economic

turbulence and energy supply issues, markets are encountering constantly changing environments making decision-making challenging.

Insurance buyers are in a strong negotiating position

As we look further ahead into the downstream market, the losses sustained in early 2025 will continue to hang over market mood as the risk of deterioration looms but for buyers there are reasons to be optimistic. Heightened market competition, particularly for the most favored risks, places buyers in a strong position to achieve competitive terms, and to lock these savings in for multiple years as part of a considered and data-driven risk strategy.

1. **Leave no stone unturned when it comes to risk information**. Markets are open to competing for business, but downstream companies that present thorough and data-driven risk information will differentiate themselves from similar risks available to write into the book. Risk engineering will have a key role in presenting robust data to insurers. By modeling the potential frequency and severity of different loss scenarios, and demonstrating controls to manage these risks, companies present themselves as a responsible and strategic partner.
2. **Harness the specialist insights of risk advisors and brokers**. Taking engineered risks to market and presenting risks in ways that resonate with decision-makers is best achieved with a specialist team of risk analysts and brokers. By harnessing technical knowledge and access to sophisticated tools, markets can make informed decisions about pricing and terms, helping downstream companies achieve optimal outcomes.

Contact our specialists to find out how a triad of risk engineering, analytics and broking can make a meaningful difference to what you can achieve in the year ahead.

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Energy liability: Selective softening or turn of the tide?

Confusing currents

Have you ever stood on a paddleboard in open water? Or simply tried to negotiate the best entry point on a foaming shoreline? The first thing that any seasoned surfer, or safety-conscious swimmer learns is to navigate through conflicting currents.

This reflects the current state of the liability market. In the same way that tide times and beach locations can create differing sea conditions, differing domiciles and energy sectors will yield very different liability renewal outcomes.

Market profitability: A positive tide

While Lloyd's of London report on casualty as a class, including directors and officers, financial lines, cyber, and accident and health as well as liability, it acts as a good barometer to the overall profitability of the sector.

Following a sustained period of unprofitability, the casualty sector has now had a consistent run of three years of underwriting profit (Figure 16).

At a glance: Energy liability market trends

- A range of conflicting factors are affecting the liability market.
- Domicile, limit and energy sector will strongly impact renewal outcome.
- Directionally, the liability market is softening.
- For international accounts, this translates to moderating rate increases but with flat or rate reductions in certain situations (small limit/local capacity-based placements).
- U.S. exposed risks are seeing the greatest average rate increases.
- Social inflation remains a major concern.
- Terms and conditions remain tight.
- ESG is still on the agenda but with greater flexibility by many insurers.
- Differentiating from the pack will ensure best results.

Figure 16

Lloyds' annual results for the casualty sector

Year	Gross written premium £ million	Combined ratio %	Underwriting result £ million
2014	4,959	98.1	74
2015	5,764	100.1	(5)
2016	7,131	102.7	(146)
2017	8,464	103.1	(189)
2018	9,094	102.9	(183)
2019	9,459	105.7	(390)
2020	9,067	110.3	(688)
2021	10,360	100.3	(17)
2022	12,987	93.7	536
2023	12,991	93.6	576
2024	13,403	95.5	890

Source: Lloyd's of London

Capacity: Neutral buoyancy

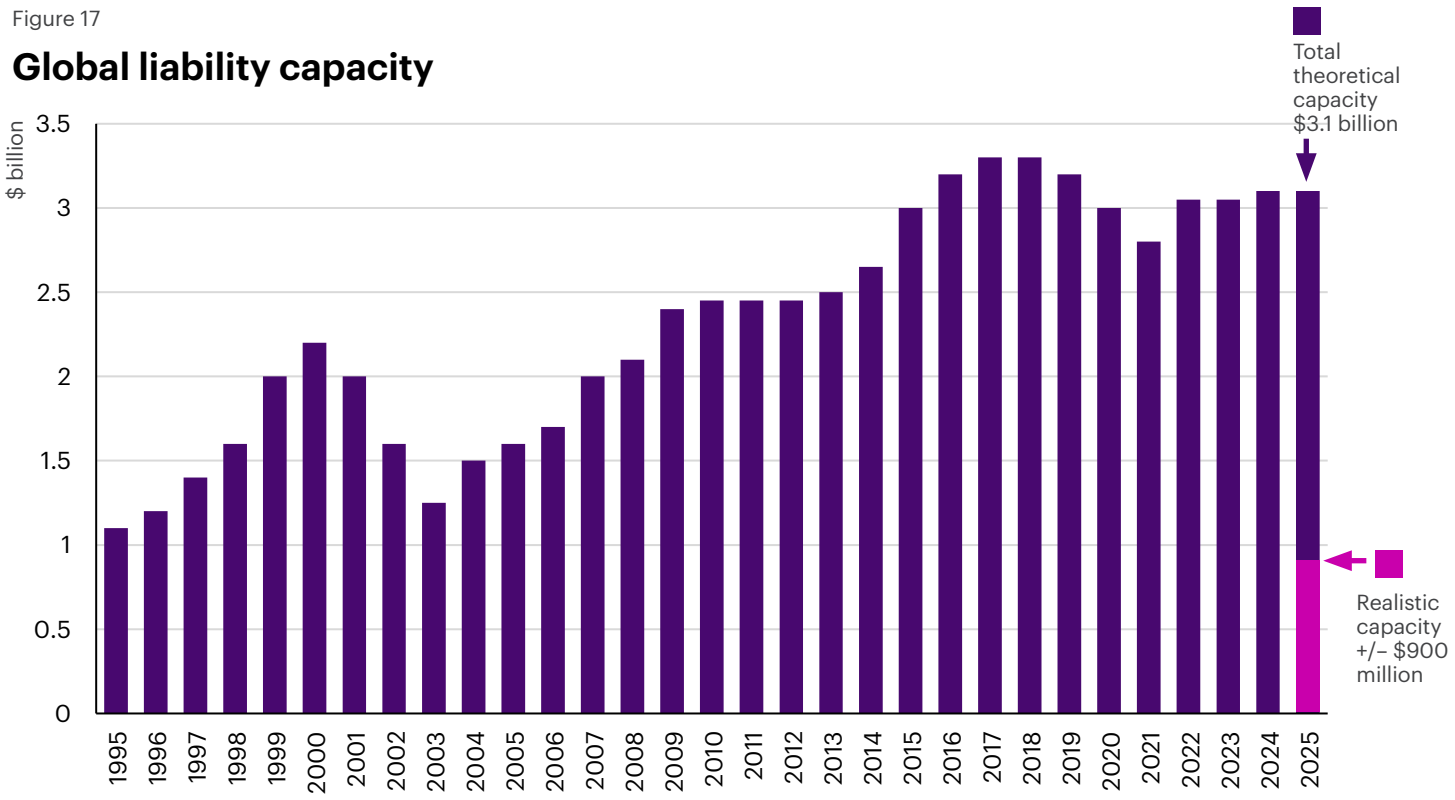
Overall, global capacity has been broadly stable but hides some important underlying changes. We have seen a continuing trend for major insurers to reduce line size, with a number constricting from $100 million to $75 million or from $75 million to $50 million.

Bermuda market excess liability insurers have also been trimming their lines. This is driven by their desire to reduce treaty purchase, to limit their exposure to any one given loss or in certain cases, for ESG considerations. As a result, insureds with large-limit programs have seen gaps appear in their renewal programs and struggled to replace capacity.

Conversely, a number of international liability insurers with small- to mid-size capacity have increased their line size, expanded via an additional Lloyd's vehicle, and/or increased their appetite for low excess and primary business. The net result has been greater competition and capacity for energy companies with low limit requirements.

Figure 17

Global liability capacity



Source: WTW

Energy packages are back to writing upstream liability exposures

As the upstream property market softens, a further phenomenon we are witnessing is the increased use of energy packages to write upstream liability exposures. This is providing competition and a degree of additional capacity for straightforward upstream liability exposures with narrow-based JL wordings. This is a cyclical trend and those with good memories will recall the withdrawal of energy package insurers from liability in the recent past, when their loss ratios became unpalatable. Energy companies with an eye to long-term stability will need to weigh up some potential short-term benefits versus long-term program integrity.

Social inflation: Beware the rip current

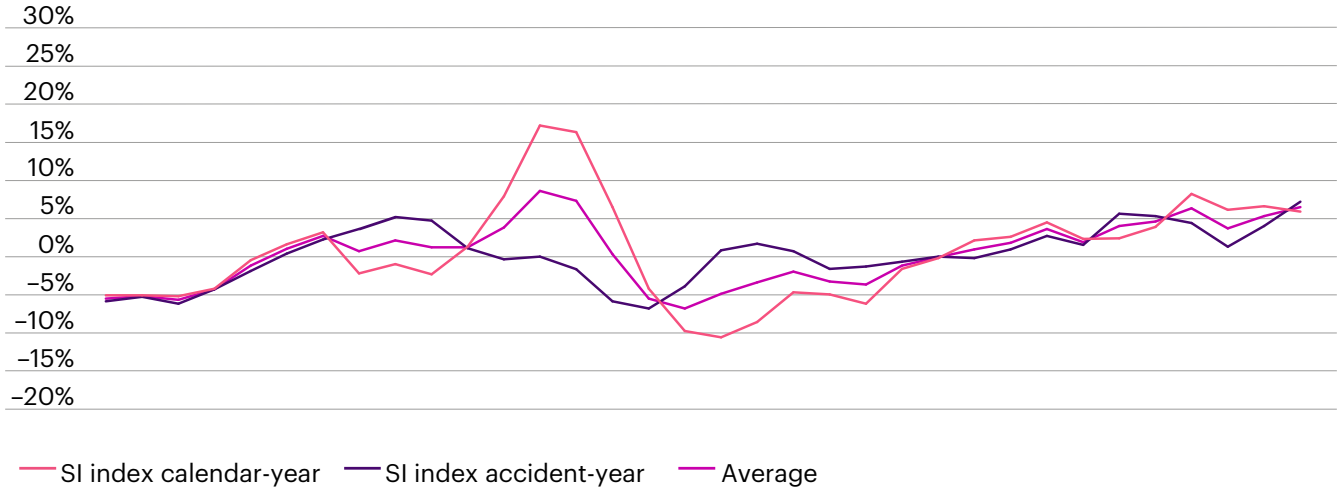
Two words most commonly used together by liability underwriters in a conversation about future concerns are “social” and “inflation”.

Social inflation is an increase in liability compensation costs above the general level of economic inflation. The term was originally coined by Warren Buffet in 1977 as “broadening the definition by society and juries of what is covered by insurance policies”.

The phenomenon has led to a market increase in both the frequency and quantum of liability awards and is most keenly felt in the U.S. where according to the

Figure 18

U.S. social inflation index, accident-year and calendar-year, 1990 – 2023



Source: Swiss Re Institute Sigma 4/2024

Figure 19

International comparison of future social inflation drivers

	U.S.	Australia	UK	Canada	Netherlands	France	Germany	Japan
Claims penetration	H	M	H	M	L	M	M	L
Income inequality	H	M	M	M	L	M	M	M
Third-party litigation funding	H	H	H	M	H	M	M	L
Contingency fees	H	M	M	H	L	L	L	L
Collective redress	H	H	H	H	H	M	M	L
Case law	H	H	H	H	L	L	L	L
Jury based	H	L	L	L	L	L	L	L

High risk | Medium risk | Low risk

Source: Swiss Re Institute Sigma 4/2024

Swiss Re Institute Sigma report No 4/2024, litigation costs have driven up U.S. liability claims by over 57% in the past decade. In 2023 alone, Swiss Re calculate that social inflation drove around 7% of overall liability claims growth in the U.S.

In the case of the U.S., social inflation has been on an upward trend over the last decade and reached around 7% in 2023, a 20-year high. (Figure 18)

The term "nuclear verdicts" (claims in excess of $10 million) has now been superseded by the phenomenon of "thermonuclear verdicts" (claims in excess of $100 million). In 2023 alone, there were 27 such U.S. claims awards falling in this category.[17]

While the effect of social inflation is most severe in the U.S., greater access to "no win no fee" litigation funding and product liability reforms is driving an increase in social inflation worldwide, most particularly in Europe, Australia and Canada.

A spotlight on the U.S.

As claims inflation continues to impact the excess liability marketplace by increasing the size and scale of settlements, and nuclear verdicts continue to occur more frequently when claims are actually tried, carriers in all segments are all increasing their scrutiny on limits deployed and premium charged in order to continue offering a sustainable lead umbrella product.

Increased reserving: Waving or drowning?

Concerns regarding growth in social inflation and adverse prior year loss development has led to a number of insurers increasing their loss reserves. Most recently one major insurer strengthened their prior and current year reserving for U.S. casualty by $1.3 billion.

The counter current of regional markets

Despite caution and concern by major global insurers, particularly those with U.S. and European exposures, regional market capacity continues to expand, most particularly in Australia, the Middle and Far East and in Latin America.

Local pricing in these regions is competitive and London and European insurers writing an international portfolio have been forced to follow suit for certain regions to remain competitive. Equally, the need to meet 2025 premium income targets, and the anticipated capacity from new liability MGAs in 2025 is adding additional pressure on insurers to provide fair and realistic renewal pricing on international business, in order to retain market share.

The three-speed market gathers momentum

As a result of these various currents and counter currents, insureds will have very differing renewal experiences, depending on the nature and location of their liability exposures.

- Insureds with non-U.S. programs requiring small limits and access to domestic capacity will benefit from the strongest completion, with flat renewals or modest rate reductions in certain cases.
- Larger programs requiring significant London, European and International capacity are experiencing more measured renewals with low single-digit rate increases as the default request.
- U.S. renewals are experiencing mid-single digit increases on average, but with wide variations depending on energy industry sector.

Terms and conditions are holding the line

Many say that a true sign of a soft market is when insurers give ground on coverage. But insurers remain disciplined in their approach to terms and conditions.

Per- and polyfluoroalkyl substances (PFAS) and Benzene are commonly excluded, and climate change is a default exclusion in most wordings including in the JL 2022. Despite this firm line, insurers are becoming more flexible regarding cyber with movement from a total exclusion to potential buybacks in respect of property damage and bodily injury.

[17] https://marathonstrategies.com/corporate-verdicts-go-thermonuclear-2024/

U.S. casualty has choppier waters

In 2025, the North American energy casualty market is facing varying conditions across different sectors. There's a stable outlook for primary liability, but continued challenges persist in the oilfield services segment with higher loss frequency and/or severity. Excess liability remains stable for most segments within natural resources, though some capacity has shifted downwards domestically while increasing slightly in the London and Bermuda marketplaces. Challenges remain in the first $25 million of many sectors' excess liability programs, but excess capacity overall remains plentiful.

Primary liability is stable

The primary liability market, including workers compensation, general liability and auto liability remains stable due to manageable primary limits, risk-transfer attachment points, and ample overall capacity.

Figure 20

Primary U.S. liability rating movement, April 2025

General liability	Workers' compensation	Auto liability
+2.5% to +5%	Flat to +2.5%	+7.5% to +12.5%
• Capacity increased in 2024 • Some uncertainty around availability of domestic capacity for 2025 as a key market is looking for a new carrier panel to continue to write business	• Profitable for insurers • Small rate increases driven by medical inflation • Remarketing can optimize terms	• Uptick in litigated claims and settlements, especially in the Permian basin, Louisiana and South Texas • Well-funded plaintiff's bar focused on commercial auto litigation and previously neutral jurisdictions are becoming more plaintiff-friendly • Accident frequency tending upwards in the energy industry

Source: WTW

Although carriers in auto liability are still struggling to reach profitable combined ratios despite a decade of rate increases on renewal books of business, capacity in most sectors remains plentiful. Certain segments deemed to have less severity for workplace injuries and accidents are seeing a surplus of competitive capacity as primary carriers are focusing in on risks deemed less severe. The lone exception and most challenged market is the oilfield services sector.

A spotlight on the oilfield services sector

The OFS segment is experiencing capacity and limit challenges. Primary carriers are reconsidering their participation due to historical profitability issues, adverse claims developments in prior years and a large uptick in loss severity of losses. Energy companies with large auto fleets or challenging loss histories are facing increased retentions, larger rate increases and fewer primary liability options to offset incumbent-sought increases. Meanwhile, many carriers are cutting lead umbrella capacity from $10 million to $5 million for these same reasons. Many carriers still participating in the primary liability segment for OFS companies are seeking larger rate increases due to profitability challenges and capacity remains cautious when considering new risks as "action over" and auto liability claims continue to erode profitability.

Excess liability conditions

Excess liability carriers continue to focus on acceptable limits and more conservative premiums and lead umbrella capacity remains limited for many industries. Capacity within the first $25 million remains cautious due to lawsuit abuse issues, with a key market reducing lead capacity from $10 million to $5 million (impacting midstream, downstream and OFS more than other industries). Capacity remains stable above $25 million. While the domestic excess liability market in the U.S. appears to be contracting, the London and Bermuda markets have slightly increased capacity which has offset any capacity issues overall. Energy companies will find ample overall capacity to complete excess liability towers, with most segments seeing a stable year-over-year marketplace.

Upstream

- Onshore operators benefit from stable capacity resulting in only moderate rate rises.
- Offshore operators face greater uncertainty due to a major market facility having yet to confirm their new carrier panel — this could move domestically-placed risk back into the London marketplace.

Midstream and downstream

- Recent increases in third-party contracting claims.
- Low double-digit increases expected on lead umbrella placements due to capacity challenges.
- Stable capacity excess of $25 million keeps increases on these layers at high single-digit levels.

Trends to watch

- **Contractor injuries/limits**: Most of the larger claims impacting excess liability carriers continues to center around workplace injuries sustained by contractors. The increase in claims settlements and awards are beginning to outpace historical limit requirements. Hiring companies' insurance programs are beginning to become more exposed to large workplace injuries or hired-trucking accidents.

- **Take action**: Energy companies should focus on revisiting any tiered limit requirements that may no longer offset exposure to their liability programs as the hiring or partially negligent party.

- **Continued underwriting focus on fleet safety programs**: As a result of the increase in auto liability settlements, insurers are paying closer attention to buyers' fleet safety programs. Buyers should provide details of their auto safety programs in submissions and renewal presentations to differentiate themselves from their peer companies; they should also continue to focus on driver criteria improvement and consistency in applying standards for company vehicle use and polices.

- **Take action**: Driver training, consistent motor vehicle reports (MVR) reviews, telemetric devices in vehicles as well as in-cabin cameras in heavy tractors can assist in differentiating risks for both primary auto and, more importantly, excess liability markets. However, if buyers are not actively enforcing in-force company fleet safety procedures, plaintiffs' counsel have argued that lack of enforcement can increase the company's negligence in a lawsuit.

Current market conditions are creating a riptide effect on the global liability marketplace, with pressures flowing in different directions. Sometimes contradictory, sometimes concurrently, sometimes overlapping. In the same way that tide times and beach locations can create differing sea conditions, differing domiciles and energy sectors will yield very different liability renewal outcomes.

Contact our liability team to find out how your company can sail through potentially choppy currents in 2025.

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Regional perspectives on energy market trends in 2025

North America

One could easily describe the North American energy marketplace as very much a tale of two cities. This dichotomy presents both challenges and opportunities for energy companies. Success remains underpinned by a thoughtful and strategic approach to the underlying issues driving these market dynamics.

In what could arguably be the fifth or sixth year of increasing rate and reduced capacity, the energy liability market remains problematic for most segments and all firms with moderate to heavy underlying auto exposure. Large verdicts from auto liability claims (and contractual indemnification claims) continue to cause insurers to reduce their capacity or exit the marketplace in its entirety. Available facultative and treaty reinsurance has become scarcer and made insurance companies' ability to lay-off risk less and less efficient. Segment-specific coverage issues or restrictions continue to dominate renewal discussions such as wildfire liability for power and utility firms and contractors and PFAS for chemical companies and beyond. These dynamics demand proactivity in not only anticipating underwriters' concerns, but also thoughtful qualitative and quantitative analysis to help pre-underwrite exposures to best position risks in a reluctant market.

Unlike the rising liability U.S. marketplace, the energy property market is coming off one of the most profitable years. Market softening began in the latter part of 2024 with insurers not only reducing rates but also increasing line sizes. While still early in 2025, it appears downstream underwriters are attempting to slow or halt this trend of double-digit rate decreases in the aftermath of two significant losses in the first six weeks of the year. Despite the prevailing tailwinds to insureds, there remains underwriting concern about the sensitivity of business interruption losses to physical damages losses. Recent challenges from permitting to supply chain have proven historical ratios between property damage and business interruption loss dollars are less reliable in future loss modeling.

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Latin America

The market in Latin America continues to show a positive dynamic, enabling clients to transfer their risks appropriately and efficiently.

The market in the region has been driven by increasing energy demands, and emerging clients in Latin America offer significant growth opportunities. There are a vast number of public and private investments on the horizon as energy companies adapt to the clean energy transition. Amid investment activity, we have seen a good number of new players willing to participate in recurring renewals and provide more capacity for new projects.

The appetite for new business and the transfer of non-traditional risks remains strong, allowing for greater diversification of exposures across different business lines and capacity providers. New capacity continues to enter the market from both existing and new participants, where MGAs and MGUs can further increase the influx of capacity. This may create advantages for accounts with a good loss history and those not located in high-risk areas prone to catastrophic natural events. However, the hydrological disasters in the south of Brazil and Colombia in 2024, high temperatures and drought-fueled wildfires in countries like Peru, Bolivia and Ecuador, as well as recent wildfires in California, may drive a more cautious approach when underwriting these risks.

Natural resources companies can position themselves for success in negotiations by:

- **Articulating a solid energy transition strategy, combined with high-quality governance and regulatory awareness**: Increasing limits are driven by new technologies, therefore, clients must consider ESG practices as (re)insurers are aiming for conservative and desirable business.
- **Delivering technical and engineering reports**: well-structured risk information will be increasingly valued by markets, which are focused on rigor and discipline in their placements. Data and analytics will continue to play a crucial role for both markets and insureds, enhancing risk assessment and exposure management, ultimately leading to more efficient negotiations.

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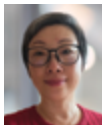
China

In 2024 April, we advised Chinese market capacity remained strong with approximately $400 – $450 million for upstream risks and $5 – $6 billion for downstream risks, and this remains largely unchanged.

The development of Shanghai's reinsurance center is accelerating. As of February 2025, 19 reinsurers have been approved to be established, including those from Bank of China Insurance, Taiping Reinsurance, AXA Global Reinsurance, and others.[18] By January 2025, the outward premiums had exceeded $9.7 billion, while the inward premium reached over $958 million. Shanghai's reinsurance center is currently at a critical period of opportunity and a key window for development. With the increasing number of institutions, growing premium scale, and improving rule systems, its competitiveness and influence in the international financial market will continue to rise.

Under this macro environment, we could see ongoing subtle changes. Some markets have started to revisit their definition of Chinese interest to broaden their appetite appropriately. A couple of markets have stepped into attractive programs which are without any Chinese interest.

With all these positive developments, we look forward to seeing Chinese markets play a more important role in the international markets to support our clients globally in the near future.



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[18]https://www.lingang.gov.cn/html/website/lg/English/News1630758253379031042/Updates/1881997019819601922.html

Singapore

The energy insurance sector in Asia continues to experience a soft market cycle, which created a favorable environment for our clients in the first quarter of 2025. This follows a strong, profitable year for (re)insurers in both the downstream and upstream energy sectors, marked by an unusually low level of losses across the energy portfolio in Asia compared to previous years. In response, more insurers are showing willingness to quote lead positions helping to provide additional options and flexibility for our Asian clients.

In the downstream sector, Asian-based insurer capacity remains very strong, and over the past year, we've seen a desire for new and expanded capacity to set up in the region, with a clear focus on expanding their presence on key Asian accounts. This is creating pressure on incumbent insurers to offer the most competitive renewal terms or risk being edged out of placements due to the new influx of additional capacity.

The upstream sector is also experiencing a soft market, but it's more of a mixed situation due to the diverse nature of the portfolio. It includes a range of risks such as operational, construction, subsea, and geothermal, each of which is impacted by the market conditions in different ways.

A few insurers have had stricter ESG requirements imposed upon them in the last few months, and this has created an opportunity for others waiting in the wings to grow their positions. However, given the abundance of capacity, we do not forecast this to cause too much concern for the majority of clients unless the risk is deemed to be distressed.

Our current prediction is that the soft market will persist, but a series of large losses can cause the market to tighten and harden quickly. Clients who prioritize building strong relationships with their insurers and continue to invest in risk management and engineering are the ones that achieve the most favorable outcomes.

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Nordics

As a key region in global decarbonization, investments in clean energy projects are flourishing across the Nordic region. For oil and gas companies, carbon capture and storage (CCS) projects are a key focus as they seek to diversify their portfolios and generate additional revenue opportunities from depleted oil and gas reservoirs. We are supporting clients across the region with several large CCS projects in the pipeline in Norway and Denmark and insurance markets are stepping up to partner with clients in building tailor made solutions to protect these new exposures.

Meaningful softening of the insurance market in the region didn't take off until the second quarter of 2024, somewhat behind the market elsewhere. Clients who benefitted from disproportionate rate reductions before this point, due to profile, size or profitability, often had to achieve this through some movement in their insurer panel, as incumbent insurers with longstanding relationships walked away due to the size of the reduction.

Markets who did not support these disproportionate reductions earlier last year, may now look to once again write these risks as the market has more universally softened. However, these markets may now find that the position they have resigned on these high-quality accounts last year is no longer available to them now that they are non-incumbent. Clients are rewarding insurers who supported them during the more challenging renewal last year. Maybe this is a message for carriers that a true insurer-client partnership is for life, not just the good times.

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Dubai

As the world pivots to a low carbon future, the energy sector in the Middle East is balancing historic dominance in fossils fuels with the shift to renewable clean energy. The economic visions of the GCC countries are giving rise to colossal investment with several of the largest mega projects ongoing in the region. This will change the risk landscape and clients will need partners to assist them in understanding their exposures and how best to manage risk and to obtain the appropriate coverage needed. With the recent directive from KSA, mandating placement shares to remain in country, we foresee an influx of insurance companies looking to invest and set up there in the future.

The insurance market in the region is a recognized specialist hub with over $1.5 billion of capacity available including both international and domestic markets. The region has an appetite for top talent and is proving to attract it. We are seeing more international specialist insurance companies setting up in the UAE, creating a large and vibrant market to do business in.

Middle East business is favored by insurers due to its low natural catastrophe exposure and excellent loss record. The majority of risks in the region are considered to be well engineered and the GCC is seemingly unaffected by the world's tumultuous geopolitical landscape. All of this adds up to Middle East risks being highly sought after by insurers and receiving very competitive terms as a result.

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This update analyses our observations of the current global market conditions for energy insurance and the impact this has on insurance buyers. This update is based on our observations of the market for our WTW clients and is not a whole of market review.

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