



Downstream energy is an insurance market defying gravity

The downstream energy insurance market enters 2026 in a paradoxical state. Losses have risen, profitability is under strain, yet prices continue to fall and capacity shows no sign of retreat. For insurance buyers, conditions remain favorable. For insurers, it is a year marked by heightened competition, ambitious growth targets and tight profitability margins.

Key takeaways:

- Loss events in 2025 chipped away at insurers' profitability, but ratings are still dropping, defying actuarial logic
- Capacity is abundant, continuing to drive competition in the current soft market
- The soft cycle will end and when it does, price corrections are likely to be sharp and swift. Preparedness is key

Market losses vs. market pricing: A growing disconnect

2025 was a bruising year for downstream losses, with gross losses of \$6.8 billion and net losses of \$4–4.5 billion recorded in our Willis Energy Loss Database (WELD). The refining segment was hit the hardest, with the three largest losses all occurring in refineries, in a segment generating only \$2–2.5 billion in premium annually.

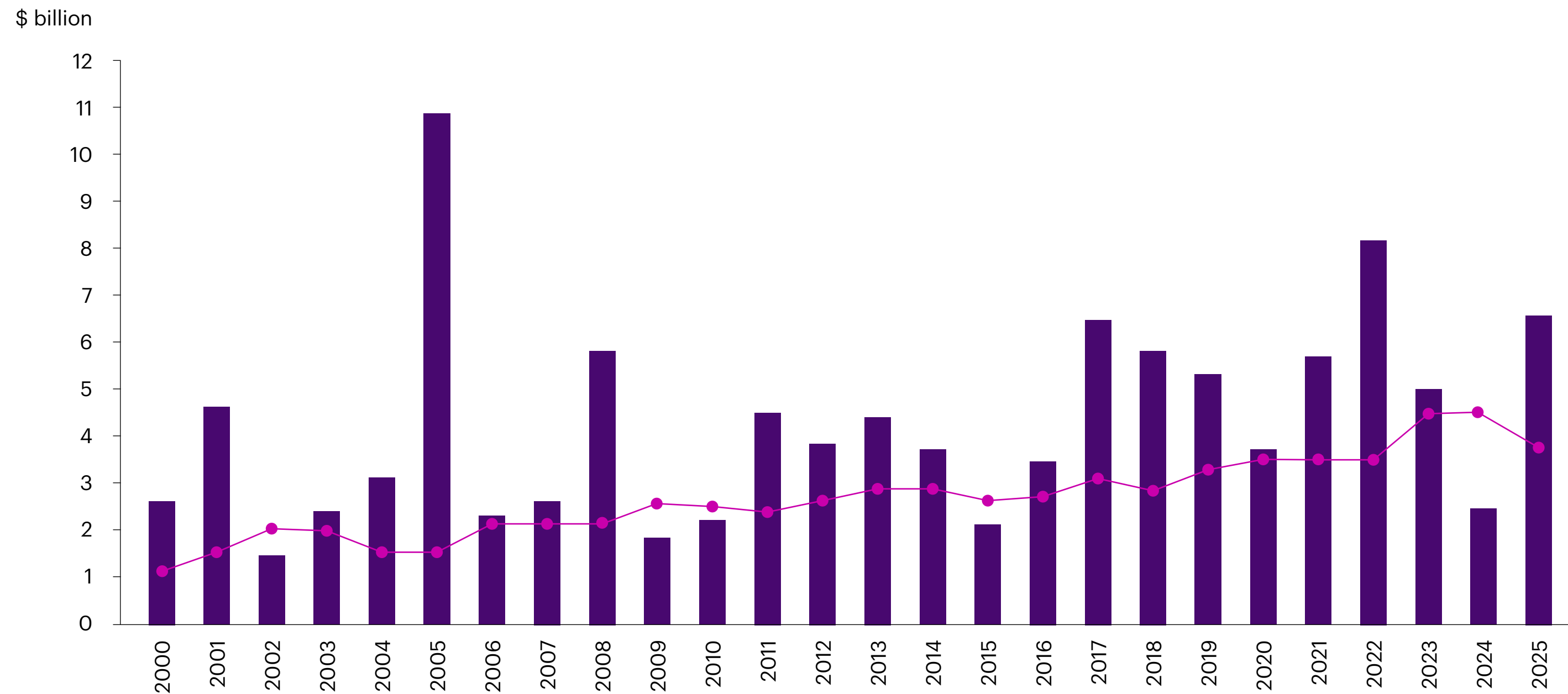
Further deterioration from losses toward the end of 2025 is compounded by a sizeable early 2026 loss in the \$250–400+ million range, posing the question: when will the soft market cycle turn?

Logically, this level of attrition would trigger rate hardening. Instead, downstream rates continue to decline, leading many market participants to question what it will take to trigger market hardening. With \$3–3.5 billion in global downstream premium vs. losses of nearly double this figure, underwriting profitability is under real pressure. But competitive dynamics are overwhelming actuarial logic.

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

2024 was very profitable but 2025 is already biting with vengeance

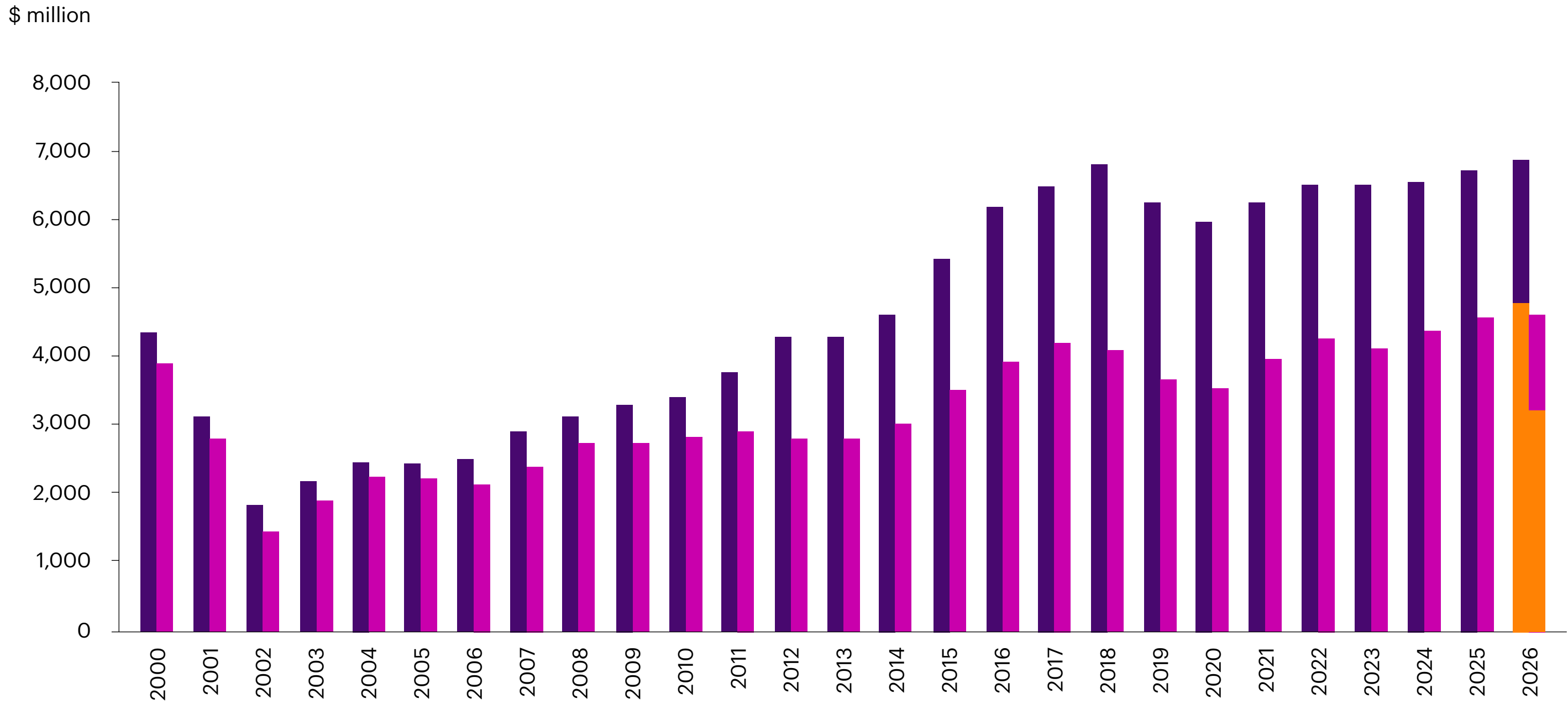
● Downstream losses excess \$1 million ● Estimated global downstream premium income (\$)



A small uptick in capacity despite loss activity

Global downstream insurer capacities, 2000-2026 (excluding Gulf of Mexico windstorm).
New entrants add further capacity and international markets expand their scope.

● International ● North America ● Estimated “realistic” market capacities



Source: Willis

Capacity is abundant and growing

Despite the loss-heavy backdrop, capacity is expanding, due to:

- New entrants, both MGA platforms and traditional Lloyd’s markets, continuing to join the class
- No retrenchment, with available capacity remaining comfortably sufficient to complete every placement
- Broker facilities playing a growing role, “providing increasing amounts of capacity, allowing brokers to complete placements quickly and with lower overall pricing as higher priced security can be deselected more readily”, Marie Reiter, Global Head of Broking Strategy, Willis Natural Resources
- Significant property market spillover, particularly for chemical and fertilizer segments, where competitive markets are driving additional capacity into downstream books

Regional markets, particularly the Dubai International Finance Centre (DIFC), are broadening their appetite to write more business in Latin America, creating increased competition right up to Gulf of Mexico geographical border.

The bottom line: capacity is no constraint—and this is prolonging the soft market.

Competition is intensifying amid limited new risks

While liquified natural gas (LNG) remains a hive of activity with strong construction pipelines, few new refineries are being built globally. With fresh risk not entering the system, underwriters continue to compete fiercely for existing business to meet ambitious growth targets.

Meanwhile, insurer consolidation through M&A activity could drive an uptick in new managing general agent (MGA) capacity as the pursuit of operational efficiencies trigger personnel changes, potentially leaving underwriters looking to develop their books elsewhere. This potential trend could continue to crank up competitive challenges.

This competitive pressure is driving underwriters to quote aggressively to protect incumbent shares, leverage

construction-market relationships to win new downstream operational phases and step forward as leaders more frequently to secure their position on slips. With no major changes to terms and conditions or deductibles, underwriters still feel able to give further rate reductions to protect their signings.



Growth targets remain aggressive, despite soft market conditions and an unprofitable year in 2025



Michael Buckle, Head of Natural Resources GB, Willis Natural Resources

U.S.-based insurers continue to seek stabilization of terms and pricing with attempts at underwriting discipline, but competition both domestically and from abroad for premium and market share are limiting their efforts. With growth goals in mind, in the midst of a softening cycle, underwriters are clinging to orders and attempting to meet top line growth goals via increased orders and new business.



In the current soft market environment, brokers are able to simplify placements by dismantling heavily verticalized insurance placements and harmonizing the terms. This is achieving premium reductions for clients well above market averages as security at higher prices is increasingly deselected in favor of carriers who can match the lead terms and full-follow broker facilities.



As the region's downstream footprint expands, the market could attract more global insurers, increasing oversubscription on high-quality industrial sites and further moderating global rate trends



Andrew Brunero, Global Head of Downstream Energy Broking, Willis Natural Resources

The soft market has not yet bottomed out. But once it does, the shift could be swift, with a fast-hardening cycle likely as ratings correct.

Against this backdrop, Middle Eastern markets are increasingly competitive and quoting on business that is typically placed in London.

Spotlight on the Middle East: A challenger is emerging

Middle Eastern markets, especially Dubai, are now among the most competitive quoting centers globally:

- Unaffected by U.S. and European loss burdens and unencumbered by the worst performing segments of the book, leaving portfolios healthier
- Led by London-experienced underwriters, bringing strong technical expertise
- Increasingly international in scope, writing across Asia-Pacific, Australasia and selected parts of the Americas
- Many regional risks exhibit high engineering standards, attracting significant capacity and securing reductions up to 20% in soft-market conditions



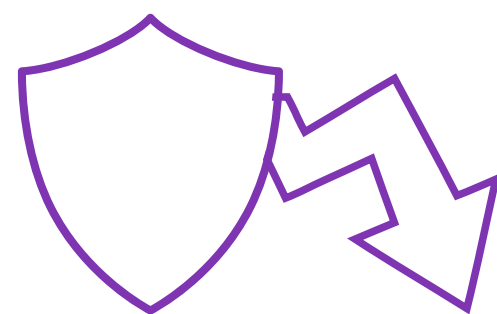
In order to retain or increase orders, underwriters are often looking to terms and condition improvements favoring clients to differentiate their offering. This point in the market cycle represents an ideal time to eliminate terms non-concurrency across the panel of insurers and to seek expansions of cover while the market is in the favor of buyers



Austin Sims, Director,
Willis Natural Resources,
North America

Rate reductions remain available in early 2026

According to downstream energy brokers, the market has been going one way, and that's down. "But in 2026, these pressures could be tempered as we move through



Downstream business with substantial premium on the slip and well-engineered risks can achieve

25% reduction,

but a cat-exposed risk or risks with loss histories can expect more measured reductions.

the year", Kieran McVeigh, Head of Downstream Energy Broking GB, Willis Natural Resources. Standard reductions are available at ~10%, with 15% reductions commonplace for well-performing accounts.

U.S. downstream companies are achieving 15–20% reductions.

The resurgence of LTAs was a trend identified in previous issues of our Energy Market Review, and this trend has



Liquefied natural gas (LNG) and large-premium placements are likely to be the biggest winners in 2026, with insurers showing outsized appetite for these risks.



Kieran McVeigh, Head of
Downstream Energy Broking
GB, Willis Natural Resources

continued to gain traction in 2026. Long-term agreements (LTAs) are being offered on desirable business to add 5-10% in further credits.

Treaty market movement has been benign

Treaty renewals have remained remarkably stable and benign, with no significant tightening or capacity withdrawal. This serves as an important backbone to the ongoing soft cycle, enabling reinsurers and direct markets alike to maintain large line sizes.

Looking ahead: A soft market with a hard edge in waiting

Today's soft market is built on fragile foundations:

- Rising loss severity
- Ambitious insurer growth pressure
- The influx of new capacity
- A construction-light environment for new refinery risk

But any material change — capacity pullback, a sequence of large losses, or a shift in reinsurance appetite — could trigger a fast, corrective hardening.

The soft cycle will end—and when it does, price corrections are likely to be sharp and swift. Preparedness is key. To build stable foundations in a soft market, downstream energy companies should consider:

1. Remarket risks with the support of a specialist broker

Leverage new hubs—especially in the Middle East—to capture emerging capacity and locate more competitive challengers. A sector-focused specialist broker with existing relationships and insights on market dynamics will be a valuable asset to risk management teams, enabling decision-makers to assess opportunities with clarity.

2. Invest in quality risk information

Engineering excellence remains the most powerful differentiator. High-quality sites with robust risk engineering consistently secure lower technical risk scores, broader insurer competition and meaningful rate reductions. These insights will be critical to manage any pricing changes if the market cycle begin to turn.

3. Challenge longstanding placement structures

Challenging incumbent leaders is a growing trend across the downstream energy sector, and broker facilities and harmonized terms can unlock premium savings far beyond headline market averages. But specialist brokers





are critical to overlay price reductions with insights to build long-term resilience.

There are signs that the soft market cycle could begin to turn. To prepare for uncertainty in the year ahead in the downstream insurance market, contact:



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This update analyses our observations of the current global market conditions for renewable 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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