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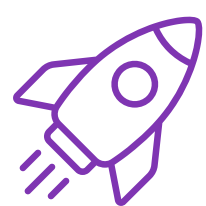
Energy Market Review 2026

April 2026

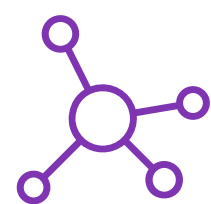
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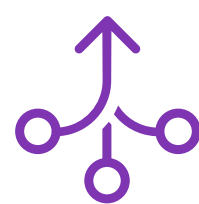
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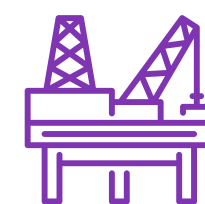
The CCS
chain reaction



Energy sector M&A
trends to watch in 2026



Snapshot: Energy
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Upstream



Downstream



International liability



U.S. casualty



Energy hotspots:
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Welcome to the first Energy Market Review of 2026

Across upstream, downstream and energy liability markets, 2026 is defined by a striking contradiction. Despite mounting loss activity, rising social inflation and geopolitical volatility, the energy insurance market remains deeply soft, with abundant capacity, intense competition and continued downward pressure on rates.

Deteriorating loss trends, whether from heavy downstream refinery losses, upstream construction tails or liability claims inflation have not yet driven corrective

hardening. Loss severity remains insufficient to counteract broader industry capital oversupply, leaving pricing increasingly disconnected from underlying risk.

Capacity oversupply is the central driver. Downstream markets continue to attract new entrants, keeping line size availability high even as losses escalate. Upstream capacity has reached record levels of over \$10 billion with further growth expected from new market entrants and broker facilities. International liability markets also report healthy capacity, boosted by managing general agent (MGA) expansion despite concerns around long tail claims inflation. This abundance is amplifying competition, pushing underwriters to protect portfolios through aggressive rating, broadening appetite and stepping into leadership positions to maintain relevance.



Regional competition, particularly from the Middle East, is a unifying theme. International markets often write narrower portfolios, isolating them from localized loss activity hot spots. The Middle East in particular has become one of the most competitive quoting centers globally, exerting further downward pressure on pricing and reshaping placement strategies. As placements become increasingly global, further opportunities to generate competition and optimize pricing and program structures become available to brokers.

Although today's market remains well supplied, insurer consolidation is progressively centralizing capacity. This trend could curtail future availability as merged entities rationalize portfolios, tighten underwriting discipline or reallocate capital in response to rising loss trends.

Energy-sector mergers and acquisitions (M&A) is a key theme shaping market behavior. Sector consolidation, fueled by energy companies' strategic repositioning, is shrinking the pool of insurance buyers while creating larger, more complex portfolios requiring integrated risk solutions. The rise of 'super acquirers' is concentrating value and accelerating vertical integration across upstream, midstream and downstream systems, a trend explored later in this report. This consolidation reinforces competition between insurers and influences premium flows, leadership dynamics and long term account strategy across all energy lines.

Overlaying these structural dynamics, geopolitical volatility is introducing short term uncertainty into an otherwise persistently soft market. The conflict in the Middle East is set to generate significant losses in the wider insurance market, which may impact energy insurers. However, it may also create additional premium as geopolitical risk pushes more buyers to secure cover in an increasingly unstable environment. With oil prices surging more than 25% since the start of the conflict and market volatility intensifying, clients must ensure business interruption values and exposures accurately reflect higher commodity prices and the heightened uncertainty around supply chain continuity. Longer term, when the conflict has been resolved, affected clients will need to carefully manage the process of restarting assets that have been in shut down and mitigate risks associated with bringing assets back into full operation.

The dichotomy of shrinking premium pools across all energy sectors against increasingly ambitious management growth targets is pushing insurers to find new revenue sources. In an industry where few risks are truly new, carbon capture and storage (CCS) presents one of the very few sources of genuinely new insurable activity. Tightening decarbonization obligations are accelerating CCS development, which has the potential to bolster future premium pools, but only if insurers play an active role in solving the bankability challenges that currently inhibit project viability. This

Review explores how innovative, whole value chain insurance solutions can unlock CCS investment and position insurers at the center of this emerging growth engine.

As 2026 progresses, the energy insurance market remains highly favorable for buyers, but it is built on fragile foundations. With a much-reduced premium pool and marginal rate adequacy on most placements, a capital market event leading to significant capacity withdrawal, severe loss event or shift in treaty appetite could trigger a rapid turn in the cycle. Preparedness and strategic positioning will be essential as the market moves closer to an inevitable inflection point.

Risk quality and strategic engagement matter more than ever. High-quality engineering, clear risk data, flexible placement structures and strong broker-to-market relationships remain essential differentiators to create resilience and stability for energy companies in readiness to withstand unexpected shocks and future upturns in the market environment.

We hope you find the report insightful and look forward to discussing any of the topics with you in further detail.



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The CCS chain reaction:

Managing key risks can unlock decarbonization at scale

Tightening decarbonization obligations and limited abatement options for heavy industry have pushed carbon capture and storage (CCS) from a long-term aspiration to an immediate delivery priority.

Multiple hub-based and cross-border projects are now moving into late-stage development, bringing first-of-a-kind commercial and operational risks into sharp focus. While government support has reduced some early uncertainty, it will not persist indefinitely. For CCS to scale sustainably, every link in the value chain (capture, transport, and storage) must be commercially robust, contractually aligned, and capable of operating in a post-support environment.

Key takeaways:

- Governmental/policy long-term support is underpinning the CCS market, without incentives, the project economics don't stack up
- High levels of interdependency between links in the value chain means the entire chain needs to be examined as a risk ecosystem, not in silos
- Contractual/liability alignment throughout the chain is critical for success

Making CCS project economics stack up: The critical issue

The relative abundance of CO₂ and its low inherent value mean the numbers don't align. CCS models should not be commercially feasible on paper. To overcome

this and facilitate transition pathways, governments have introduced mechanisms (typically carbon taxes or compliance cost regimes) to make CCS commercially viable. These policy frameworks remain the primary driver of project economics.

Without sufficient throughput, CCS projects struggle to achieve viable cost per ton. The underlying commercial proposition is simple: storing CO₂ must remain cheaper than the financial penalties for emitting it. But this relies heavily on policy and carbon pricing stability. Any sustained shift in government stance undermines the market overnight.

Governments also seek assurance that stored CO₂ remains securely contained. As a result, CCS projects must absorb long tail liabilities, including the risk of future releases, potential revocation of carbon credits, and obligations to re capture and re store any leaked CO₂. These exposures significantly narrow the pool of organizations willing to participate.

Hub and cross-border models both face the added complexity of aligning contractual liabilities across multiple parties and sometimes differing legislative frameworks.



With substantial uncertainty and long-duration risks, success hinges on ensuring that risk allocation is clear, consistent, and appropriately mitigated across the value chain



Conor Bays, Broking Strategy Execution Manager,
Willis Natural Resources



CCS value chain stage one: Emitters

Emitters form the first building block of the CCS chain, but final investment decisions will only progress once management teams can understand and manage the associated technical, financial, and counterparty risks. Some exposures are familiar to insurers but new to emitters; others are entirely novel and require bespoke risk-transfer solutions.

Key considerations for emitters include:

- **High CAPEX and increased OPEX:** Developing new capture facilities or retrofitting existing plants requires significant capital investment. Capture operations are energy-intensive, driving materially higher operating costs that must be absorbed or hedged
- **Construction delays:** Delays in commissioning capture units may reduce access to expected tax incentives or expose emitters to compliance penalties if emissions exceed regulated thresholds during the transition period
- **Capture performance risk:** Under-performance, whether due to lower-than-modelled capture rates or CO₂ that fails to meet required specifications, reduces financial benefit and may trigger penalties. Clearly defined responsibilities and liability frameworks around capture performance are essential

- **Counterparty dependency:** Emitters are heavily reliant on transport and storage (T&S) operators. If CO₂ cannot be off-taken as planned, whether due to constrained injection rates, offshore outages, or port bottlenecks, the full value of the capture investment cannot be realized. In some jurisdictions, local emissions limits may even require emitters to curtail operations until the network returns to service

Collectively, these factors shape the bankability of capture investment and underscore the interdependence between emitters and the wider CCS chain.

CCS value chain stage two: Transport

The transport phase introduces a broad spectrum of risks — commercial, operational, environmental, and regulatory. Misaligned interfaces or unclear liability allocation can disrupt the entire chain, underscoring the need for precise contracting from receipt to delivery.

Key transport-specific risks include:

- **Low utilization levels:** Throughput is central to the economics of transport assets. Underutilization caused by issues upstream at the capture site or downstream at the storage facility can lead to disputes over tariff payments and threaten the revenue base required to justify large upfront CAPEX. Transport operators

typically seek contractual protection against this risk, with implications for emitters and storage providers

- **Off-spec CO₂:** If CO₂ fails to meet agreed specifications and is rejected, throughput drops and similar revenue and contractual issues arise. Clearly defining responsibility for damages or remediation associated with off-spec CO₂ is a critical component of any transport contract
- **Leaks and ruptures:** Release events can trigger environmental liabilities, create operational downtime, and disrupt the entire value chain. Pipeline depressurization, temporary blockages, and required inspections or repairs can all lead to extended outages with financial implications for multiple parties
- **Maritime conventions:** When CO₂ is transported by ship, additional regulatory obligations apply, including compliance with International Maritime Organization (IMO) rules and liability conventions. These risks differ from pipeline exposures and require tailored contractual and insurance responses
- **Interface misalignment:** Transport systems rely on clearly defined handover points, metering arrangements, and volume/quality acceptance criteria. Misalignment can create gaps in liability, disputes over performance, or mismatches in the risk assumed by each party

- **Cross-border regulation:** International movement of CO₂ adds another layer of complexity, particularly where jurisdictions differ in how they classify CO₂ (e.g., waste vs commodity) under frameworks such as the [London Protocol](#). Divergent regulatory regimes can influence permitting timelines, liability transfer, and long-term compliance obligations

The transport phase embodies a wide spectrum of risks ranging from off-spec CO₂ to international regulatory exposure. A clear understanding of responsibilities from receipt to delivery, supported by aligned contractual risk allocation, is fundamental to project success.

CCS value chain stage three: Storage

As the long-term custodian of injected CO₂, the storage operator carries the greatest concentration of regulatory and long-tail liability risk. Their ability to demonstrate geological performance, manage pressure, and satisfy monitoring obligations directly affects the credibility and bankability of the overall project.

Key storage-related risks include:

- **Throughput dependency:** Injection into subsurface formations is slow and continuous, making predictable feedstock volumes essential. Any disruption upstream

reduces utilization, increases operating costs, and can undermine the commercial assumptions underpinning the storage facility

- **Geological constraints:** Even with extensive seismic studies, modelling, and test injections, reservoirs do not always behave as anticipated. Lower-than-expected injectivity or storage capacity can reduce total available volumes for storage, extend project timelines, or drive significant OPEX increases for pressure management or well interventions
- **Pressure management and plume migration:** Storage operators must actively monitor reservoir pressure and track plume development. Elevated pressures can restrict injection rates or require additional operational measures, while unexpected plume migration can jeopardize permit compliance and trigger remediation or redesign requirements
- **Long-term oversight:** Depending on the jurisdiction, operators may be required to monitor, verify, and maintain site integrity for decades after closure. Demonstrating long-term financial capacity to meet these obligations remains a key concern for investors and insurers and is often a precondition for regulatory approval
- **Regulatory requirements:** Storage operators must validate injected CO₂, comply with monitoring and reporting obligations, and meet all conditions





The blend of first-of-a-kind risks, differing regulatory frameworks, and divergent contractual structures across projects creates systemic challenges that investors and insurers need to assess holistically. As a result, every part of the value chain is scrutinized for clarity on liability transfer, revenue certainty, and counterparty resilience. The most successful projects recognize this early and design their frameworks to ensure clear interfaces, aligned risk allocation, and robust mitigation from the outset.



Marie Reiter, Head of Global Broking Strategy, Willis Natural Resources

attached to their storage permit. They must also ensure that post-closure monitoring is completed to the regulator's satisfaction so that long-tail liability can be transferred to the state at the appropriate time. Any failure to demonstrate permanence or maintain compliance can result in penalties, corrective actions, or delayed liability transfer

The storage operator acts as the crucial interface between the government and the wider value chain, carrying significant operational and long-term responsibility. Their ability to manage these risks effectively is fundamental to the credibility and bankability of the entire CCS project.

Looking ahead: The need for a comprehensive risk solution

For CCS projects to remain viable, each building block of the value chain must operate in a coordinated and resilient manner. If any link fails, whether through operational disruption, misaligned liabilities, or regulatory non-compliance, the entire chain can quickly unravel.

The interdependence of CCS projects creates unique risks for every participant, but these exposures can be managed effectively. The insurance industry is innovating

comprehensive solutions to eliminate gaps in coverage and support the entire network of risks across the CCS value chain.

As the market matures, greater standardization and familiarity will reduce uncertainty, improve bankability, and ultimately unlock easier access to investment and insurance capacity.

To find out how insurance can help to keep the entire value chain moving, contact:



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Stability, scale and strategic positioning:

Energy sector M&A trends to watch in 2026

Key takeaways:

- Fewer companies are completing a larger share of the M&A deals across the energy sector
- Deal volume is down, but deal value is up
- There are five steps to building a sophisticated transaction risk strategy across pre-deal, transaction structuring, integration and post-close phases of an M&A transaction

COVID-19 has faded from the headlines, but the pandemic remains a landmark for merger and acquisition (M&A) activity globally. The impact of the pandemic drove deal volumes and values into the ground, and since 2020,

energy companies have endured continued disruption that has kept an M&A rebound at bay. As global financial, political and business leaders grappled with soaring interest rates in 2021, many transactions remained on hold while the global economy recalibrated. Russia's invasion of Ukraine, President Trump's [swathes of regulation and tariffs](#), and conflict in the Middle East have all added cumulative pressures that haven't yet delivered a window of opportunity for M&A deals to resurge. Corporate ambition has changed.

Whereas M&A was a key strategy pinned to bold growth targets, including decarbonization, energy sector leaders are now focusing on security, stability and strategic positioning.

Key issues tempering M&A deal volume:

Looming potential for oil price drops: Volatile commodity prices could tighten valuation models and shift focus to cost cutting and balance sheet strength.

Escalating operational costs: Pinched margins are putting cost discipline in focus, making energy companies more selective, slowing M&A momentum and pushing deals to focus on efficiency and resilience.

Supply chain volatility: In mobilizing alternative supply chains that are less reliant on politically-exposed countries, companies are reassessing supply dependencies and valuation models, making M&A more risk-adjusted and cautious.

Tariffs, trade and geopolitical tensions: Geopolitical events such as U.S. engagement in Venezuela or tensions in the Middle East affect asset valuation, risk adjusted returns, and timing of transactions.

The Energy Profits Levy and other windfall profits taxes: During periods of higher oil and gas prices, jurisdictions such as the U.K. introduced even higher taxes (even in circumstances where the energy had been forward sold at previously lower prices), impacting profitability.

Opportunities achievable through M&A

More control over integrated value chains: Acquirers can implement robust risk controls across several links of the chain, reducing the risk of disruption, alongside capturing more margin.

Operational efficiencies through consolidation: By combining assets, streamlining overlapping operations, standardizing processes, improving resource allocation and reducing duplication, M&A boosts operational efficiencies.

Technology-enabled operating models: Upgrades and investment in technologies improve reliability and enhance operational stability while accelerating innovation across the portfolio, enabling companies to remain competitive in a clean energy future.

Energy security: Geopolitical instability increases the premium on secure, reliable energy supply. Companies that pursue acquisitions to ensure access to resources, infrastructure, and strategic basins could mitigate geopolitical exposure.



M&A dealmakers across the energy sector are challenged with striking the critical balance:

hedging against the fallout from geopolitical unrest (volatile commodity prices, disrupted supply chains, soaring operating costs and capital pressures), while positioning for a new energy future.

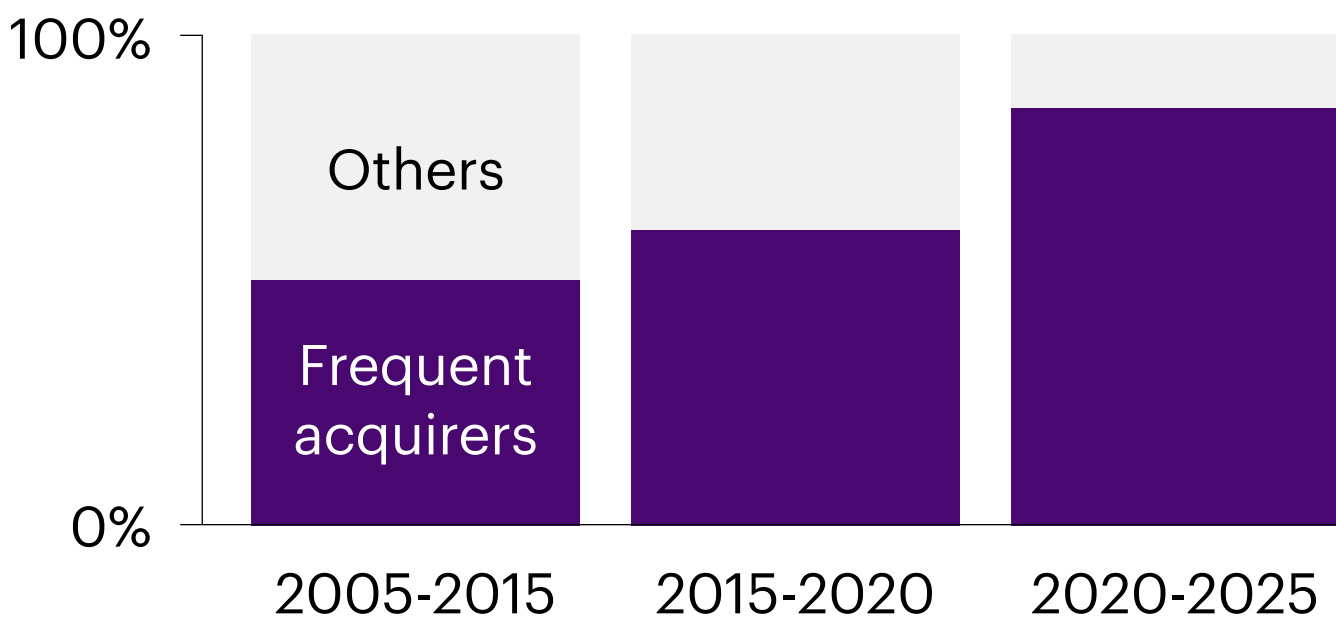
Midstream market capitalization, in billions of U.S. dollars

● Number of companies



Source: Bain & Company

Percentage share of acquirer type



Source: Bain & Company

The rise of the super-acquirer: A growing trend

Major players and well-capitalized independents across the energy sector have consolidated upstream, midstream, and downstream services. Frequent acquirers (which perform one or more deals each year) are dominating the sector’s M&A deals.

As fewer companies complete a larger share of the M&A deals across the sector, these super-acquirers are outperforming their sector peers, accounting for 53% of deal value. The asymmetrical trend is widening the gap between stock price, with super-acquirers adding more value year-on-year than less deal-hungry counterparts. “The difference in total shareholder returns for frequent acquirers was 57% higher than inactive companies between 2000 and 2010. That jumped to 130% between 2012 and 2022”, [according to Bain & Company](#).

The energy companies that are pulling ahead are watching and waiting for the most lucrative opportunities that have potential to bolster long-term business models and strategically using deals as a catalyst for broad-scale transformation.

Investment trends: Buyers are investing in key technologies

Dealmakers are focusing on acquiring assets with stable cash flows and strategic value to protect the value chain.

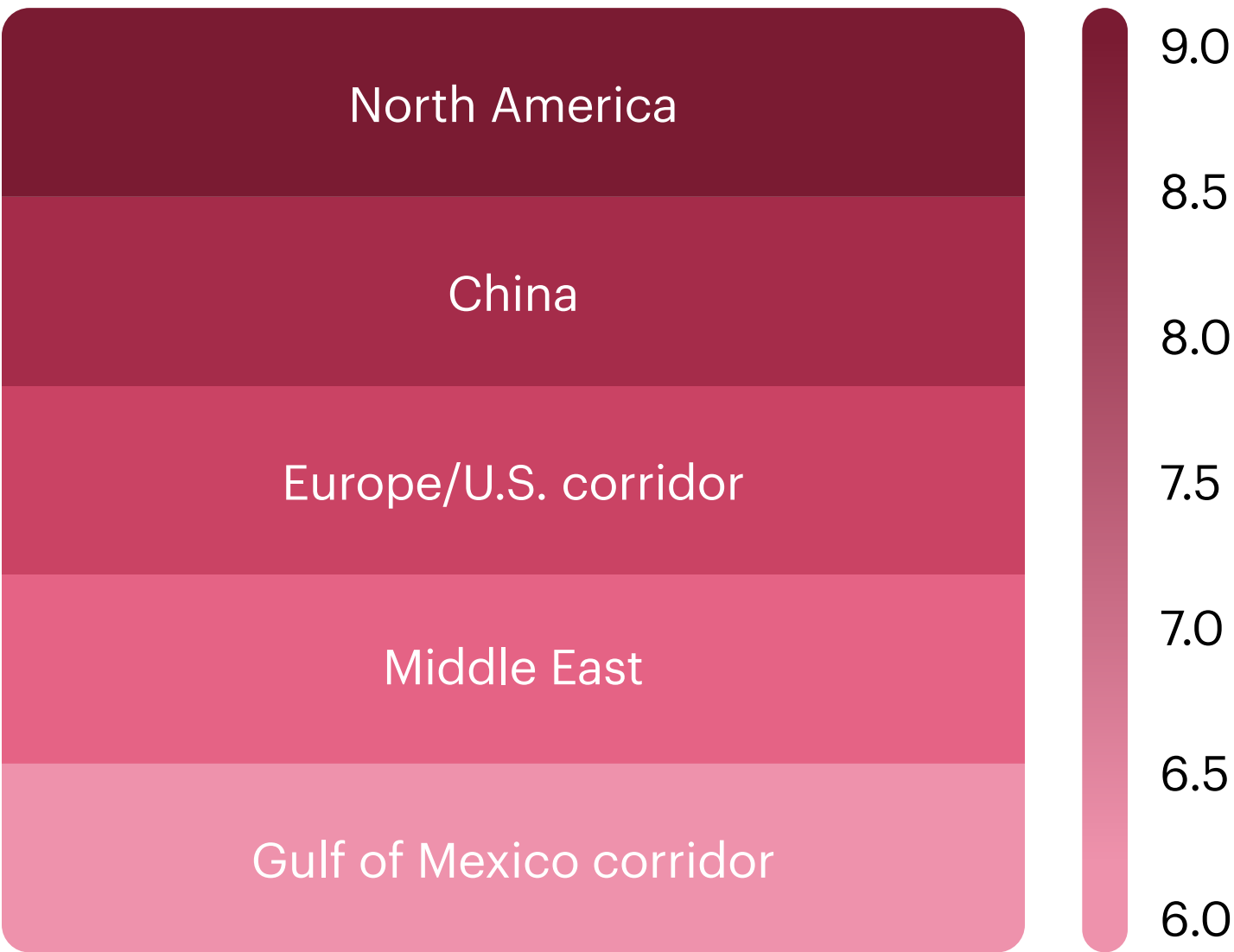
Sector	Technology targets
Upstream	Digital oilfield, automation, basin integration, emissions reduction
Midstream	Gas and liquified natural gas (LNG) technology, grid enabling assets, storage technologies
Downstream	Specialty chemicals, hydrogen and carbon capture, utilization and storage (CCUS), digital refining

Investment trends: Global hotspots for M&A in 2026

Regulation and geopolitics, while turbulent, can create attractive propositions for deals to flow, with cross-border investors targeting jurisdictions with regulatory clarity.

M&A hotspots: A forecast

Source: Willis



Region	Technology targets
North America	The U.S. is likely to remain the strongest hotspot for M&A in the coming years, driven by LNG permitting reforms and project acceleration, rapid growth in electricity demand from AI and data centers creating investment opportunities, as well as continued shale basin consolidation. The European corridor remains active. While domestic European volumes have softened, cross-border deal flow between Europe and the U.S. remains strong. European majors continue reshaping portfolios and the U.S. provides attractive valuations and growth exposure for strategic scale-up. LNG export terminals along the Gulf of Mexico are scaling rapidly and integration of upstream and midstream infrastructure is accelerating in parallel. The sub-region is emerging as a high-density M&A zone.
China	China stands out as the only region with increased deal volume during the most recent reporting period. The country’s ongoing industrial expansion will require stable energy supply chains, strategic focus on securing technology and critical energy assets, alongside building energy security through increased outbound investment.
Middle East	While not always high in volume, the Middle East remains a center of strategic, large-scale deals led by national oil companies (NOCs). Despite political headwinds, major megadeals involving Middle Eastern players are combining assets into large global chemical/ petrochemical entities as NOCs seek global expansion and vertical integration.

Why energy M&A transactions are at risk

Oil and gas M&A deals are exposed to a complex network of risks that have the potential to derail a transaction, including:

- **Commodity price volatility and valuation risk:** Volatility shrinks deal pipelines and increases uncertainty around future cashflows, making acquirers cautious. Deals may be timed poorly, overvalued/undervalued, or abandoned due to rapid price shifts
- **Tariffs, regulation, and geopolitical uncertainty:** Energy sector supply chains have faced disruptions due to tariffs, vessel fees, and global policy shifts, affecting operational assumptions in deals. Acquired assets may not deliver expected returns if supply chain constraints erode margins
- **Valuation uncertainty:** In many regions, valuations (especially in hotspots like the Permian Basin) have risen sharply, creating risk of overpayment. Volatile markets have made seller expectations inconsistent, contributing to valuation gaps that can stall deals
- **Integration risks:** Mismanaged integration leads to lost synergies, cultural conflict, and operational disruption

- **Tax risks:** Oil and gas M&A often involves a target business with significant deferred tax assets/carried forward losses (often into the billions of dollars). “These can be a huge driver of value if they are available to offset against future profits. We have frequently seen tax insurance being used to insure against the risk of the availability of those losses being challenged”, Stafan Farahani, International Head of Tax & Contingent Insurance, Mergers & Acquisitions, Transactional Risks, FINEX Global, Willis

Although deal volume in some oil and gas segments has fallen, overall deal value has surged, indicating fewer but much larger, more strategic transactions. With high values at stake, insulating the transaction from shocks will demand a sophisticated risk strategy.

Making strategic decisions: Five steps to build a sophisticated transaction risk strategy

Insurance and risk solutions can help manage valuation uncertainty, tax exposure, operational integration threats, and regulatory risks.



Pre-deal phase: Identify, quantify and allocate risks

1. Conduct enhanced due diligence, with a focus on tax positions, legacy liabilities, operational risks, and supply-chain exposures to uncover uncertainties early
2. Harness scenario-based tax modeling to understand deal-structuring impacts such as corporate rate changes to support smarter pricing decisions and prepare for legislative shifts
3. Deploy risk-allocation mechanisms such as contingent purchase price mechanisms or earnouts to share uncertainty around tax and regulatory changes, or contractual tools such as indemnities and specific liability carve-outs

Transaction structuring phase: Protect value and reduce exposure

1. Invest in transactional insurance, such as Representations and Warranties/Warranty and Indemnity to cover a broad range of historical exposures relating to the target including financial, legal, and operational matters

2. Consider tax insurance, which is designed to cover the availability of deferred tax assets/losses, uncertain tax positions, future tax authority challenges and penalties. Insurance removes the risk associated with tax uncertainty and guarantees the economic value of carried forward losses
3. Explore contingent liability insurance solutions which are effective for identified but unquantified legal, environmental, or contractual risks that could impede a deal

Integration phase: Manage operational, financial and compliance risks

1. Loss portfolio transfers (LPTs) and legacy liability solutions can be used to manage existing or historical casualty liabilities or legacy exposure from acquired entities. The solutions help to transfer long-tail risks (environmental, workers' compensation, liability claims) off the balance sheet
2. Ensure a tailored multinational risk program is in place to help avoid regulatory gaps in cross-border transactions

3. Protect digital infrastructure. As merged entities integrate technologies and digital systems, cyber insurance is a critical tool to protect the balance sheet from the far-reaching impacts of a cyber attack

4. Directors & Officers (D&O) Insurance protects executives from liabilities that may arise due to integration or legacy issues such as governance, fiduciary duties, or M&A decision-making

Continuous monitoring and adaptation

1. Regularly reassess post-deal tax exposure because tax risks arise throughout the tax year, not just at year-end, requiring ongoing monitoring
2. Monitor regulatory and policy shifts which mean companies must keep adjusting deal models and indemnity positions as rules evolve.
3. Keep risk advisors close to understand what insurers are asking of insureds, and how companies can present robust risk information to access optimal cost and coverage.

To find out how risk and insurance specialists can support you throughout the deal lifecycle, contact:



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A large offshore oil rig is illuminated at night, standing in the dark ocean under a cloudy sky. The rig's lights reflect on the water's surface. A smaller support vessel is visible to the left of the rig.

Snapshot: Energy reinsurance renewals

After relatively few large losses, 2025 was another profitable year for energy reinsurers. Offshore losses through 2025 were well below expected levels and renewable energy and power also performed well. The onshore energy segment was the lone exception with elevated losses exceeding \$2 billion.

This broadly strong performance, alongside a broader increase in appetite rooted in the perceived diversification benefits, attracted additional capacity into the energy reinsurance market ahead of the January 2026 renewals. New capacity came both from established reinsurers and new entrants.

Quota share (QS) buyers were able to secure meaningful commission increases, despite reinsurers acknowledging softening original rates. Some clients opted to reduce QS cessions which, combined with the additional market capacity, strengthened buyers' negotiating position and supported higher commissions.

Excess of loss (XoL) rates fell by 10–15%, exceeding buyers' expectations going into renewal. This reduction was driven by both actual and perceived surplus capacity, with reinsurers actively competing to maintain market share. Since most XoL limits are purchased on a combined basis, the impact of isolated losses, whether onshore or within the broader market, was largely absorbed.

While pricing softened, this did not translate into broader terms or coverage extensions for energy clients.

Reinsurance costs declined in 2026 January renewals in line with softening across all energy market segments. Similar outcomes are expected for clients renewing later in the year.



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Crude realities:

The bottom of the soft market could be approaching for upstream energy in 2026

For more than a decade, the upstream energy insurance market has followed a near-uninterrupted downward trajectory. What began as a gradual softening post-2010 has evolved into one of the longest, steepest declines in rating that the sector has ever experienced.

While pockets such as control of well (CoW) and subsea construction all risks (CAR) have seen isolated hardening, the market in aggregate has continued to ease year after year — but 2026 could become the turning point.

While loss activity, capital reallocation, or macroeconomic volatility have the potential to finally stem the softening cycle, for the immediate term, the reality is clear: there is no single structural catalyst in sight to drive a meaningful turn in pricing.

Key takeaways:

- Abundant capacity, shifting leadership dynamics, and increasingly aggressive and ill-disciplined underwriting behavior continue to drive the soft market
- Loss frequency exists, but severity does not, sustaining the soft market rather than pressuring a correction

- In a market this competitive, the greatest risk is mis-timing strategic decisions that will shape outcomes when the cycle eventually turns. Forward-thinking upstream energy companies are challenging leaders, leaning on brokers' expertise, and maintaining and building relationships with key markets

Loss activity: Attritional, manageable, and insufficient to stem the softening tide

2025 delivered better-than-expected results across upstream portfolios, with improved loss ratios and no major headline events. Back-year deterioration has been largely attritional.

Willis' Energy Loss Database has recorded **\$842** million in losses across **58** events, with the largest at just **\$130 million** — a quantum far too small to shock the market.

The impact of losses has been modest

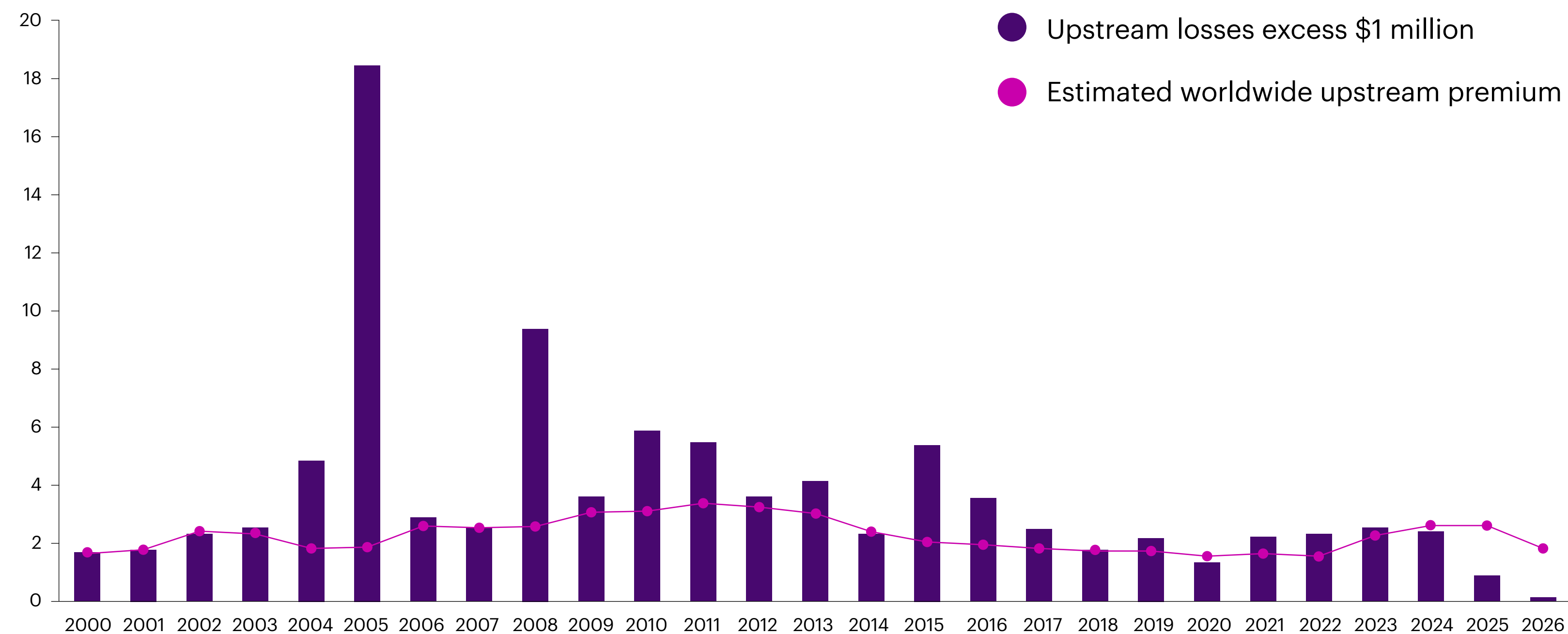
The post-COVID-19 and Russia-Ukraine-war construction boom was spurred on by nations focusing on energy security, but construction is a long tail risk and the tails of these placements are only now beginning to manifest into losses as the projects near completion — typically the most exposed stage of a project. Likewise, operators extra expenses (OEE) remains a loss-active subclass of the portfolio. But the overall impact of these losses has not been felt and the upstream energy insurance market is largely unshaken.

Since upstream energy is only one portion of the broader natural resources book, shortfalls in this class are being offset elsewhere, further insulating carriers from the need to adjust ratings.

The result is a counterintuitive environment where loss frequency exists, but severity does not, sustaining the soft market rather than pressuring a correction. According to Paul Braddock, Head of Upstream Energy GB, Willis Natural Resources, "last year was considered more profitable than 2024, with improved loss ratios, which has led to underwriters taking a more aggressive approach to rates going into the current year".



The upstream energy market continues to deliver profitability for insurers



Source: WELD/Willis

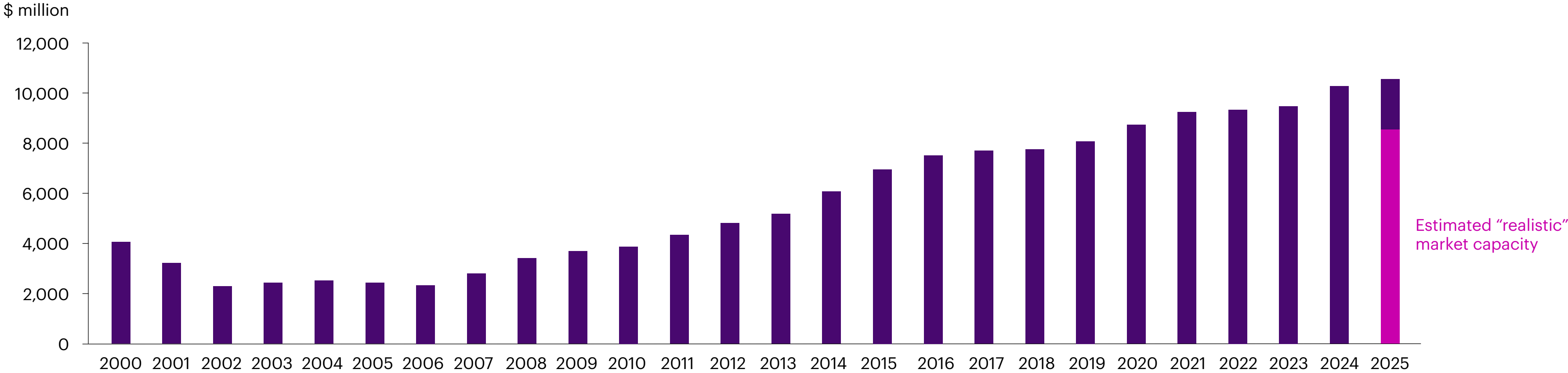
Capacity is at an all-time high, driving competition among underwriters

Capacity growth remains the defining force preventing market hardening. Insurers are expected to add \$200–250 million in additional upstream energy capacity through a mix of expansions and new entrants.

Theoretical capacity is hitting \$10.7 billion, representing the highest level ever recorded. Broker facilities such as Willis’ Gemini and Mercury continue to add non-clashing capacity, further intensifying competition.



Upstream operating insurer capacities 2000-2026 (excluding Gulf of Mexico windstorm)



Source: Willis



Market premium is estimated to be down to
\$1.5-1.8 billion,
but due to a large volume of construction projects last year, only an estimated
\$900 million-\$1.2 billion
of this is renewing premium.

Consolidation among underwriters is likely to reduce capacity slightly and concentrate that capacity among fewer carriers, but in the absence of multiple insurer M&A transactions, it is unlikely to have any meaningful impact on pricing.

Unless there is a dramatic, unexpected capacity withdrawal, supply will continue to outstrip demand, fueling the softer pricing and aggressive attitudes towards leadership.

Market behavior: Discipline in turmoil

Competition is intensifying, particularly on clean operational offshore business, and the strategic mindset is shifting toward long-term strategic positioning over short-term profitability margins. “Markets are focused on securing a position on core clients now in hopes of maintaining it when the market eventually rises”, Richard Burge, Chief Broking Officer GB, Willis Natural Resources.

As the premium available in the upstream insurance market declines, this could lead to insurer management scrutiny, but also less protection from capital reallocation to another line of business — a trend to watch in 2026.

Key trends shaping underwriting behavior in 2026:

- There are fewer available clients due to M&A-driven consolidation, which is shrinking the premium pool
- Underwriters are focusing on securing core clients with large premiums to help strengthen their position for when the market hardens
- Markets are keen to write new business, even if this is business that has been declined in previous years based on price. The pressure to cover rising costs by writing premium has made new business an attractive proposition — back in appetite and at adequate pricing
- Many underwriters are aggressively quoting to assert leadership in response to the increasing uptake of broker facilities and covers. Even when markets don't necessarily have the ideal set-up to lead, such as insufficient upstream claims expertise and engineering capabilities, they're bending to the need to maintain relevance and protect their signings
- There's less price competition for certain subclasses such as standalone OEE and subsea construction, with less markets willing to quote

While underwriters continue to quote aggressively to win and retain desirable business, particularly where leaders are challenged on an account, rates continue to fall.



For clean business, premium is still the most influential factor in determining reductions. Competition for clean operational offshore business is fierce



George Richardson, Senior Broker, Upstream Energy, Willis Natural Resources

Long-term agreements (LTAs) with 5–7.5% upfront discounts are locking in rates for several years — a strong indicator that both sides suspect the market cannot remain this soft indefinitely.

Some underwriters are beginning to step away from business where rate reductions have become unsustainable to profitability. For now, however, the

overriding market sentiment remains that the sooner the market reaches the bottom, the sooner the hardening cycle can begin.

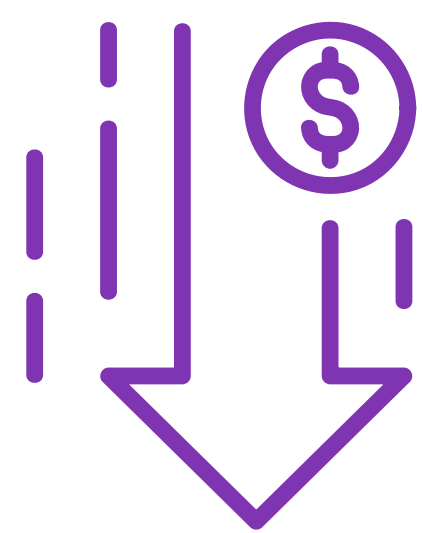
Ratings are 'through the floor'

In last year's [Energy Market Review](#), offshore operating rates exceeded expectations with 5-12.5% reductions available with a focus on technical rating adequacy. Now in 2026, rates in upstream energy are described as being 'through the floor', with little margin left and rating adequacy increasingly strained.

Current pricing dynamics in early 2026:

Around 15% reductions are typical in renewals with incumbent leaders but higher numbers are being seen when leaders are tested. Contractors can expect reductions of between 7.5% to 15%. Meanwhile, low double-digit reductions are available for more challenged businesses with loss-affected business depending on loss quantum and CAR is largely flat. Globally, midstream is reasonably steady at 7.5% to 10% reductions, lower than last year.

Individual markets have become increasingly unpredictable, both in terms of the risks they are willing



In 2026,

10–20% reductions

are available for core upstream risks with clean loss histories and substantial premium on the slip, with

40%+ reductions

still observed in exceptional cases but equally, some examples of very large reductions not getting fully placed are evident.

to underwrite and the historically low pricing levels at which they are prepared to quote. At times, adherence to disciplined and appropriate pricing appears to weaken, with some markets accepting premiums at unprecedented lows in order to endure the current super soft conditions. The overall pricing trajectory is clear: despite more than a decade of softening, the market continues to push into new low pricing territory.

Treaties: Stability with shifting leadership

Treaty renewals remain largely flat, with only minor reductions. However, several reinsurer leadership changes have created quiet but meaningful shifts behind the scenes. Although treaty movements are not fueling the current softening cycle, it will be important to monitor 1st April treaty renewals as potential early indicators of future rate stabilization.

How upstream energy companies can make strategic decisions in a soft market

In this competitive market, the greatest risk is mis-timing strategic decisions that will shape outcomes when the cycle eventually turns. Forward-thinking upstream energy companies are:

1. Challenging leaders

Ensure your broker thoroughly canvasses the market for alternative lead options or improved terms. Traditional leaders are being challenged, and new pricing dynamics are emerging.

2. Leaning on brokers' market intelligence

The market is chaotic. A suboptimal placement strategy today could have long-term repercussions in a future hard market. Brokers have their finger on the pulse of market trends, helping companies make the right decisions at the right time.

Looking ahead: A market still searching for its turning point

The upstream energy insurance market in 2026 remains defined by abundance: abundant capacity, abundant competition, and abundant willingness among underwriters to chase premium. Losses, treaty movements, underwriting reshuffles, and macro trends have all failed to deliver the shock needed to alter the supply-demand imbalance. Until a structural catalyst emerges the soft cycle continues. But cracks are beginning to show: long-term agreements, isolated discipline, and selective appetite changes hint that the bottom may finally be in sight.

At the time of writing, the war in the Middle East is still in full force. It remains to be seen whether this will generate any significant losses to the upstream market or whether losses assumed by other classes in insurers' broader portfolio will impact the upstream market environment.

For now, underwriters and upstream energy companies are making strategic decisions to build resilience when the market eventually turns.

Contact our team to secure the value of sector-specialist insights:



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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.

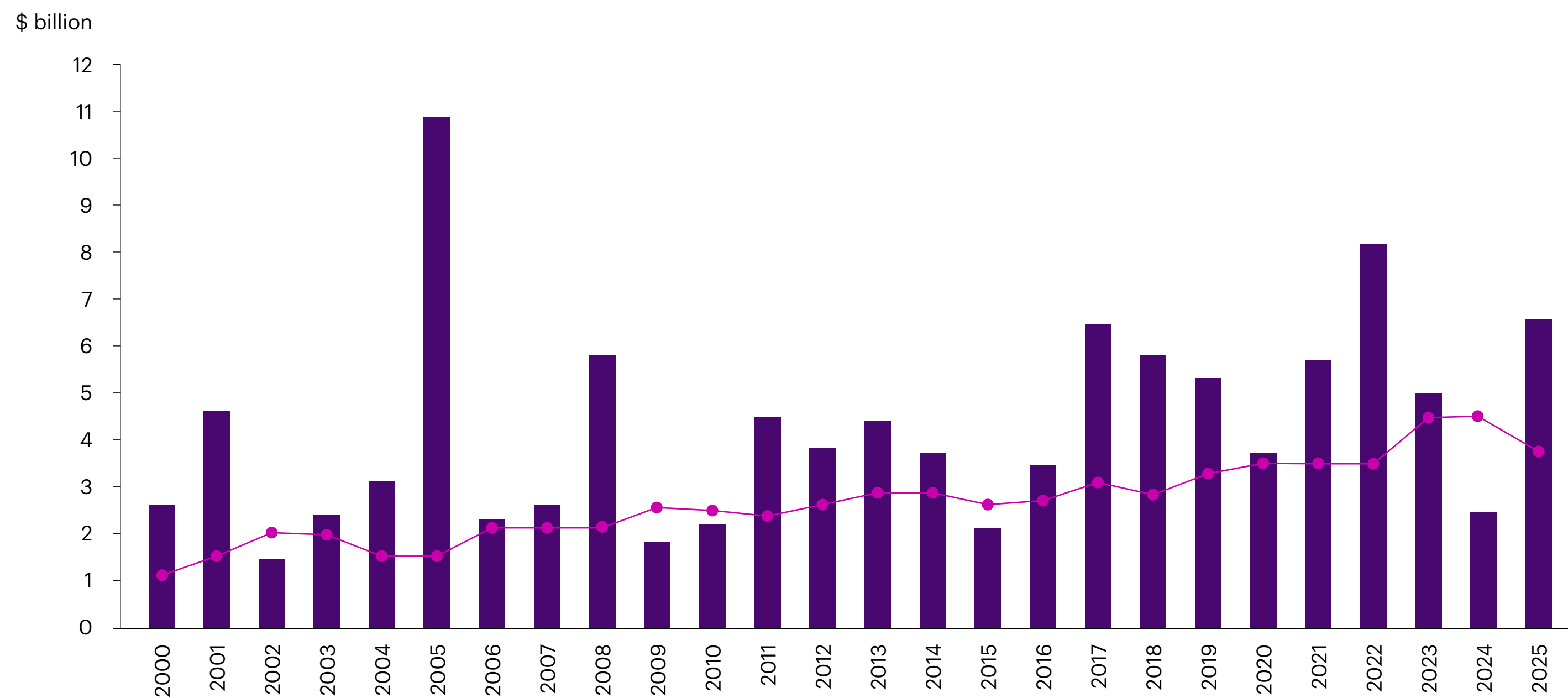
Further deterioration from losses toward the end of 2025 is compounded by a sizeable early 2026 loss in the \$250–400+ million range, posing the question: when will the soft market cycle turn?

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

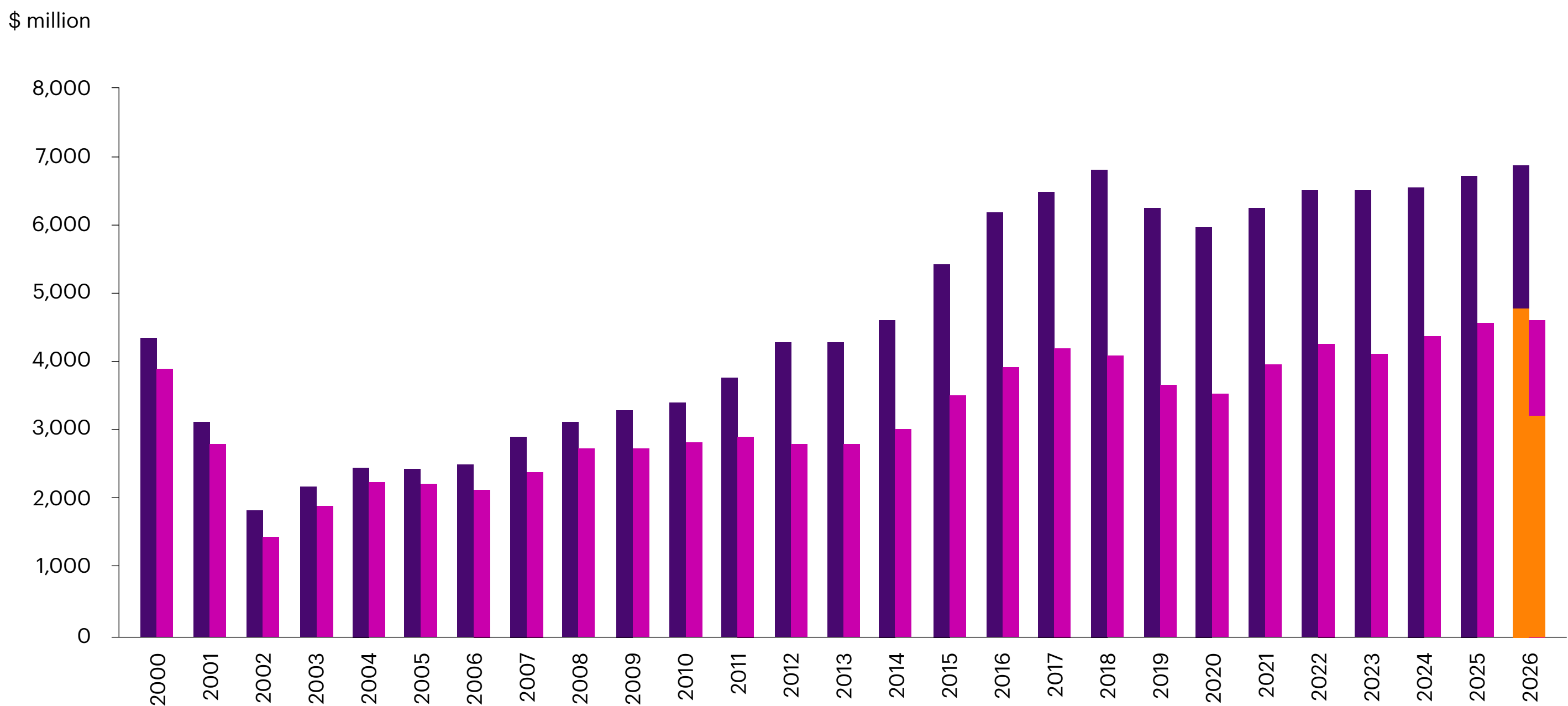
● Downstream losses excess \$1 million ● Estimated global downstream premium income (\$)



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, Head of Global 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



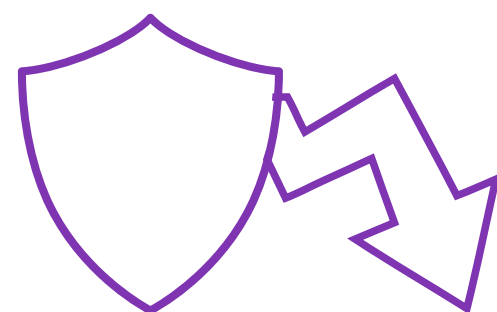
In order to retain or increase orders, underwriters are often looking to terms and condition improvements favoring clients to differentiate their offering. This point in the market cycle represents an ideal time to eliminate terms non-concurrency across the panel of insurers and to seek expansions of 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 begins 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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The international liability elevator pitch:

Have you ever walked into a department store to be confronted by a large bank of lifts and escalators, all offering different routes to different destinations? The liability market can be best compared to this group of escalators travelling at varying speeds in different directions.

International liability is the group of escalators travelling downwards, but at differing speeds depending on region and jurisdiction. Interestingly the only escalator in the building going upwards is U.S. casualty, where the increasing frequency and quantum of casualty awards continue to drive premium increases.

Key takeaways:

- International liability is a broadly profitable class, but the spread of global litigation, insufficient reserving and the increase in liability claims over and above normal inflation levels remain key concerns
- The entry of additional capacity combined with competitive regional market conditions have acted to apply downward pressure on rates in the international market
- Careful market selection, a well-articulated renewal presentation and a long-term strategy will be key



Lloyd’s 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	14,411	91.6	880
2025	14,682	(100.8)	(87) ▼

Source: Lloyd’s Full Year 2025 Annual Report

Market mechanics:
From positive to neutral

Lloyd’s of London results are a strong barometer of the health of the global casualty market. Following seven unprofitable years, casualty as a class swung back into profitability in 2022 as a result of remediation work by insurers and higher rates prevalent over the past five years.

However, [Lloyds Full Year Results 2025](#) announced on 19 March show that the combined ratio has dipped to neutral/marginally unprofitable territory. This is partly as a result of deterioration of results for directors and officers and cyber, which are included in Lloyds’ casualty category, but also a reflection of more recent softening of the international liability market and claims in the U.S. casualty sector.

Note: Lloyd’s definition of casualty encompasses long tail general liability, workers’ compensation/employers’ liability, and medical malpractice, as well as accident & health and cyber, but remains a useful indicator of the health of the casualty market

Claims inflation is a continuing concern

Although liability is, on a global basis, still a broadly profitable class, the spread of global litigation, insufficient reserving and the increase in liability claims over and above normal inflation levels remain key concerns.

[A Swiss Re study](#), published in January 2026, analyzed “liability excess inflation” — the rise in insurance claim costs above the consumer price index.

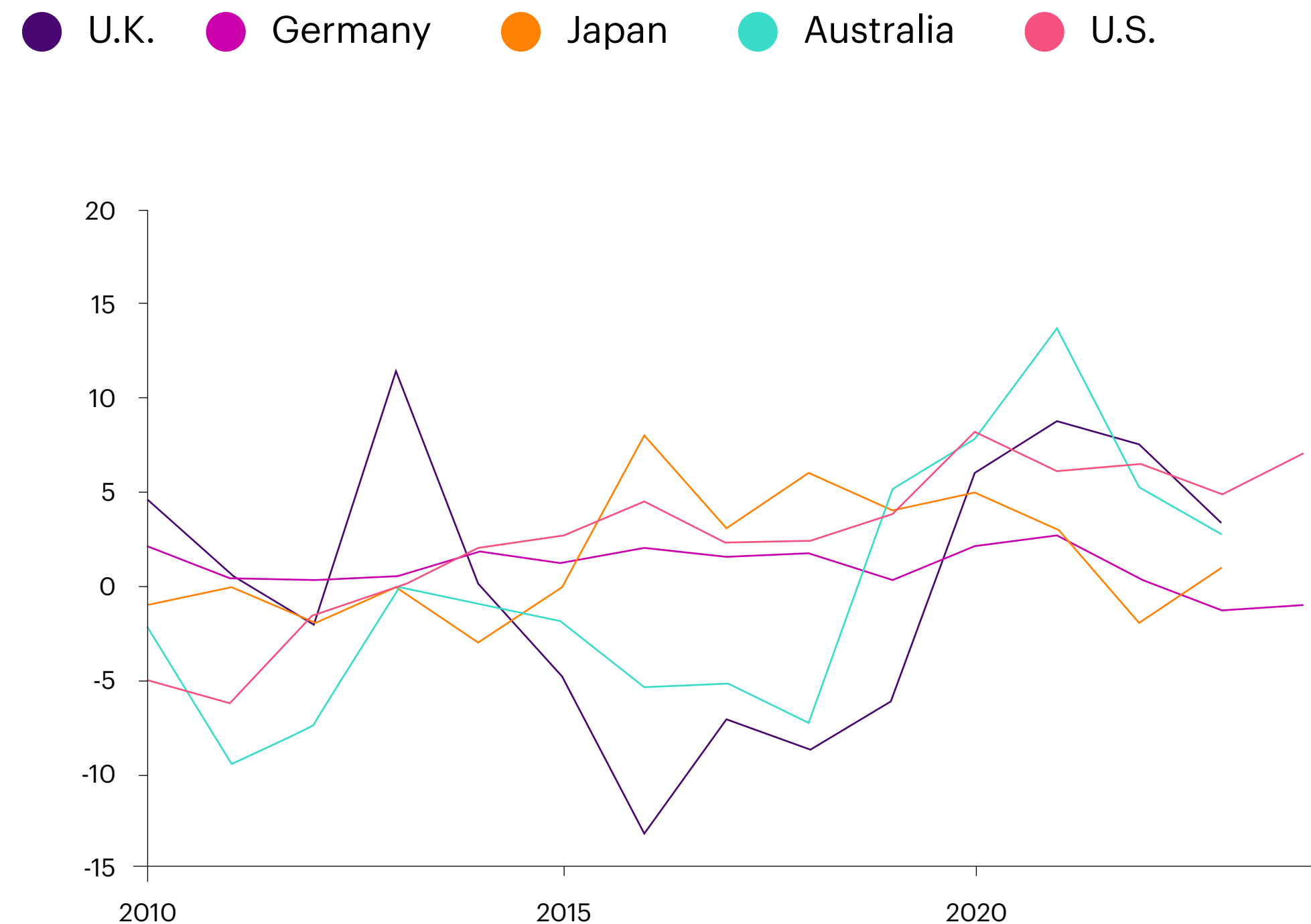
Casualty hotspots: The U.S., U.K. and Australia

Swiss Re’s study found that in a number of countries, most markedly the U.S., the U.K. and Australia, liability claims are running significantly above general inflation levels.

The reason there are key drivers for this growth in claims above standard inflation:

- Changes in law
- Ease of access to litigation
- Increasing use of third-party litigation funding
- Rising level of jury awards

Swiss Re institute excess liability inflation index for select countries



Source: Swiss Re Institute



Next in line: Continental Europe

Swiss Re note that while liability claims in Continental Europe are not significantly higher than economic inflation at present, changes in legislation will accelerate future claims costs, most particularly:

- Directive (EU) 2024/2853 of the European Parliament and of the Council which comes into force by 9 December 2026 will redefine products defects and reduce the burden of proof for claimants
- EU Representative Actions Directive (RAD) (Directive 2020/1828) facilitates class action

Global spread

Although the U.S., Europe and Australia are identified as liability hot spots, the rest of the world is not immune to the spread of social inflation. Recent energy liability losses in the Far East, previously considered to be a particularly benign jurisdictional region, are driving insurers to reassess their rating models in certain territories.

Reserving trends

The level of casualty reserving for prior years continues to come under scrutiny. Many insurers have strengthened their reserves for 2015–2019 years but concerns remain that for more recent years, reserves may need to be bolstered to match claims inflation.

The size of the prize

According to Fortune Business Insights, the global general liability insurance market is projected to grow from \$299 billion in 2026 to over \$460 billion by 2034, driven by rising demand and litigation risks. This represents a compound annual growth rate of 5.5% and an increase of over 150% in eight years.



Despite the increasing risks, casualty represents an attractive growth class for insurers looking for future premium opportunities, and energy liability is an important element of this outlook



Mike Newsom Davis, Global Head of Liability, Willis Natural Resources

Good news: Healthy capacity

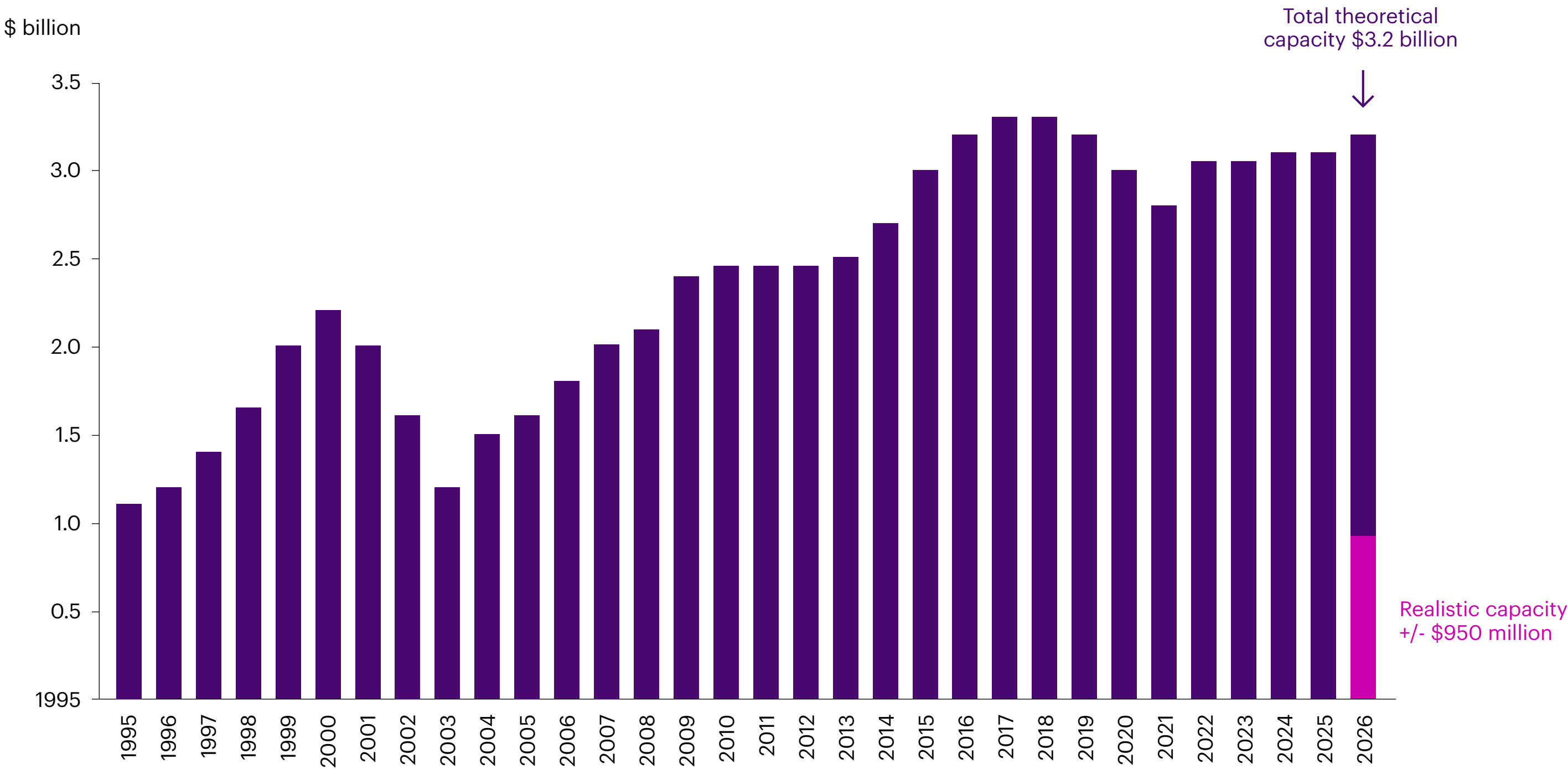
In the past year, we have seen a number of major insurers reducing their line sizes to limit their exposure to large single casualty claim events. This has been driven primarily by a series of large U.S. casualty claims on international programs with U.S. exposures. A recent influx of capacity from new managing general agents (MGAs) and expansion of appetite by certain Lloyd's syndicates and companies has more that counteracted any capacity losses, resulting in greater choice and a modest increase in overall global limit.

Rating environment: From traveller to downwards escalator

Despite some underlying concerns regarding social inflation and reserving, the entry of additional capacity combined with competitive regional market conditions have acted to apply downward pressure on rates in the international market. The one exception as referenced is the U.S., where modest increases prevail, as examined in our U.S. casualty section.

In our department store analogy, we referred to liability rating escalators travelling at different speeds.

Global liability capacity



Source: Willis

From flat travelator to gentle descent: Moving from flat rating in early 2025, the default for loss free accounts with significant limits is now a low single-digit reduction.

Picking up speed: In Latin America, greater treaty flexibility is allowing domestic markets to be more aggressive (albeit particularly in the power sector, where there is greater capacity than for energy). For energy, mid to high single-digit reductions are the default norm.

Swift descent: Australian and Canadian business are seeing high single-digit to double-digit reductions driven by local competition with similar competition on Asian business.

Fastest route down: Regional markets in the Middle East are currently the most competitive, with double-digit reductions common.

It should be emphasized, however, that the overall result will depend on location and limit purchased:

- For large European or multinational accounts requiring full market support, low single-digit reductions are the norm
- A single site location in the Middle East requiring only modest limits with ample capacity available to compete will achieve the most dramatic reductions

- Those international programs with U.S.-domiciled exposures will continue to experience a composite rate, with single-digit increases for the U.S. element offset by applicable reductions for the international element

Coverage check

Coverage offered remains broadly unchanged, albeit there is an increased focus on exploring opportunities to increase coverage breadth as the market softens. Notwithstanding this, certain exclusions remain commonly applied.

Existing exclusions:

- PFAS (per- and polyfluoroalkyl substances)
- Climate change liability clarification/limitation

New and future focus:

- AI: An emerging area of concern is liability relating to artificial intelligence (AI). While exclusions are not yet common, Insurance Services Office (ISO) has issued two clauses: CG 40 47 and CG 35 08 to exclude liability for bodily injury, property damage, or advertising injuries arising from generative AI

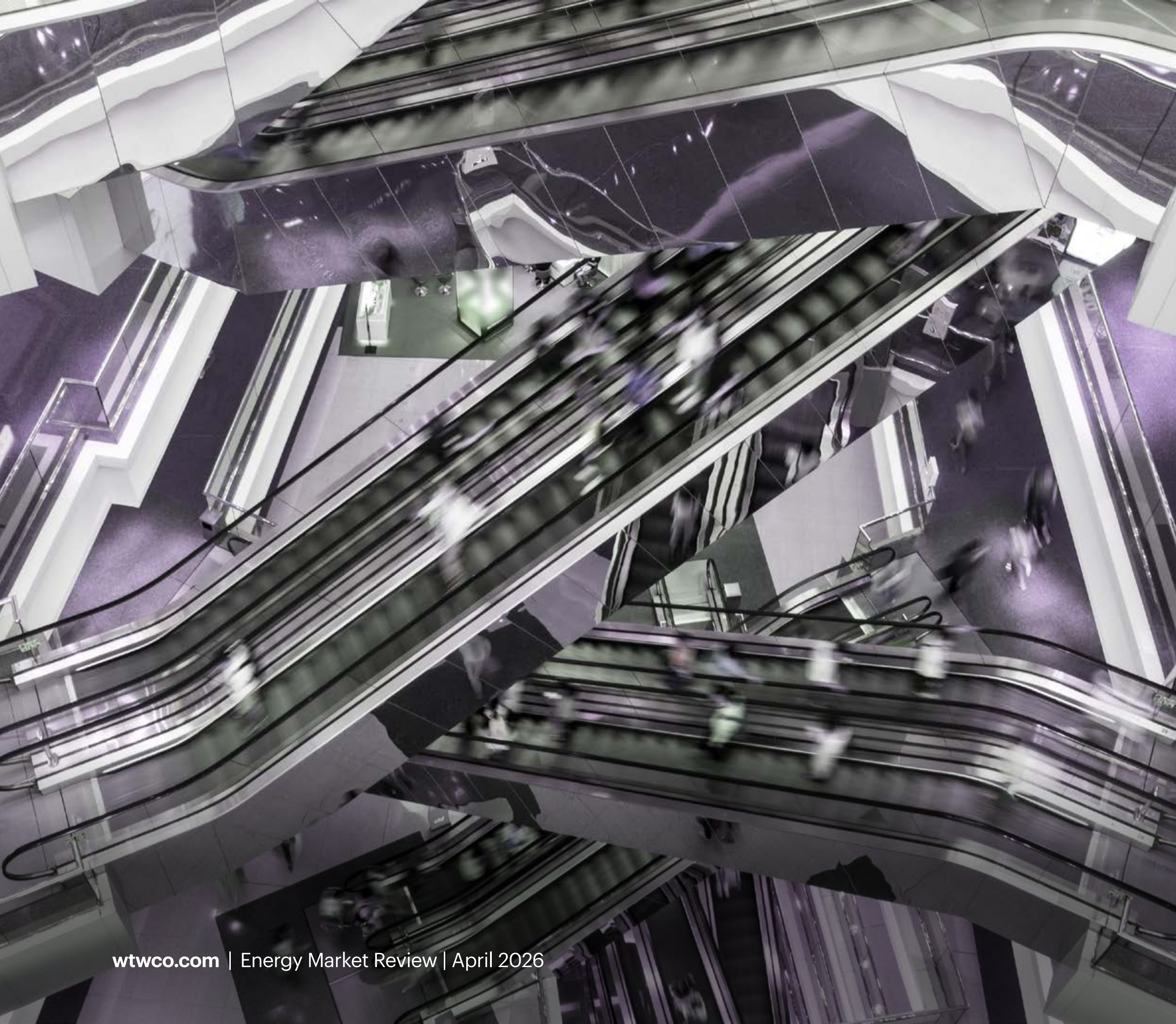
- Mental anguish: Coverage for mental anguish particularly in respect of U.S. jurisdiction is increasingly being linked to a bodily injury trigger

Sustainable discount or bargain basement?

After a series of years of firmer market conditions, the international liability market is clearly softening. The long tail nature of the class however tends to dampen or moderate changes so rating movements are significantly more measured than for upstream or downstream property insurance.

In a department store, any wise buyer will seek products at the most economic price without sacrificing quality. Security and claims paying ability of insurers is key, and long-term relationships are genuinely beneficial in the event of a more contentious loss. With average liability awards significantly increasing and some claims regularly exceeding the \$500 million-mark, quality, breadth and clarity of coverage are the ultimate value.

The good news is that, despite underlying market concerns regarding claims inflation and reserving, capacity and competition are acting to sustain a liability market that is beneficial to buyers and shows no sign of hardening in the immediate future.



Careful market selection, a well-articulated renewal presentation and a long-term strategy will ensure clients leave the department store with a favorably priced renewal product, backed by a broad and long-lasting guarantee.

To find out how to make smart and sustainable decisions in 2026, contact:



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U.S. casualty:

Stable capacity endures
despite claims inflation

In 2026, the North American energy casualty market is facing varying conditions across different sectors, with claims inflation impacting both primary and excess liability markets, albeit at varying degrees.

Key takeaways

- U.S. primary liability has remained somewhat stable from a capacity standpoint year-on-year, with auto-heavy and loss-heavy oilfield services (OFS) companies experiencing the effects of capacity constraints
- The London market has increased appetite for general liability and lead umbrella business, which has helped to offset the U.S. markets' reduction in available capacity
- Excess liability remains stable for most segments within natural resources, though some capacity has retracted domestically while increasing in the London marketplace, while Bermuda remains steady, with certain carriers offering less limit while new capacity has recently entered the space
- Claims inflation has continued to impact pricing in the first \$25 million of many programs, but overall capacity remains plentiful for many risks, keeping rate increases lower than markets would prefer





Primary liability market capacity 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.

Most sectors are experiencing flat to low-single digit increases (1-3%) on workers' compensation and general liability renewals in 2026 for profitable accounts. Auto liability remains a challenge for most markets due to social inflation, which is continuing to see high single-digit or low double-digit rate increases due to claims inflation and an overall increase in litigated claims.

Despite the challenges faced in auto liability, where carriers 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 (those deemed to have less severity for workplace injuries and accidents) are seeing a surplus of competitive capacity as primary carriers are focusing on risks deemed less severe. General Liability capacity in London is plentiful, with multiple options being offered by specific markets on a standalone and/or quota-shared basis.

General liability rates are flat to low single-digit increases

General liability rates for upstream, midstream/downstream, power/renewables, and chemical segments are expected to range from flat renewals to low single-digit increases in 2026. Capacity remains at record levels for many sectors in the Natural Resources space due to London's emergence as a real option for many companies.

Workers' compensation remains profitable

Workers' compensation remains profitable and stable for most sectors, with small rate increases sought on renewals and flat renewals being offered by specific carriers. This line of business has kept many overall primary liability portfolios profitable for many carriers, offsetting the increasing pressure of social inflation on the auto liability and general liability lines of business.

Incumbent markets are seeking low rate increases in this sector, citing medical inflation as a primary reason, but many carriers are willing to offer more competitive renewal terms when marketing. Since the sector is seeing an uptick in severity of workplace injuries, OFS companies and industrial contractors are seeing larger rate increases if they have negative loss records.

Carriers are putting pressure on retentions and pricing for clients with losses in this segment, as the industry is seeing an uptick in a workers compensation claim turning into a litigated general liability ‘action-over’ claim.

Auto liability remains challenging

Auto liability remains a significant issue for primary insurers, as the industry is seeing an uptick in litigated auto claims and settlements, particularly in areas like the Permian Basin, Louisiana, and South Texas.

A well-funded plaintiff’s bar continues to focus on commercial auto litigation and accident frequency continues to trend upwards for many insured in the energy industry, which does not bode well for auto liability rates in the year ahead. Jurisdictions that used to be considered neutral are now becoming plaintiff-friendly venues as well in places like the Permian Basin (and Harris County) where activity is concentrated and frequency of losses is high. Areas such as Louisiana and South Texas continue to be challenging venues.

Despite rate increases that have averaged in the double-digits over the past 10+ years, carriers are still struggling to achieve profitability in this segment due to the increase in litigated claims and associated demands.

Excess liability market

Lead umbrella and first \$25 million of programs

Despite the continuation of an increase in claims inflation, capacity remains stable year-on-year as many carriers are focusing on shorter (\$5 million to \$10 million limits) and the London market is willing to offer quota-share options as an alternative to the U.S. marketplace. This segment bears watching, as litigated claims and higher settlements continue to plague many sectors in natural resources.

Capacity within the first \$25 million remains cautious due to lawsuit abuse issues in the U.S. and the first-excess layers above a lead umbrella need to be monitored, as capacity is becoming a bit tighter year-on-year.

Above \$25 million

Capacity remains plentiful above \$25 million, with most segments seeing a surplus of options in both the domestic and London marketplace.

While the domestic excess liability market continues to contract, specifically concerning limit amounts offered by U.S. markets, the London and Bermuda markets have slightly increased capacity and appetite, which has offset any capacity issues overall. Insureds in all energy industries will find ample overall capacity to complete

excess liability towers, with most segments seeing a stable year-over-year marketplace.

Upstream energy capacity remains stable

Capacity remains stable for both onshore and offshore operators in 2026. While we have seen an exit of a prominent managing general underwriter (MGU) facility domestically, the London market’s appetite has increased greatly, with a record number of carriers/syndicates willing to offer capacity to insureds in this sector. Domestic (non-MGU) capacity remains stable in 2026, with multiple options available for operators.

Midstream and downstream segments continue to face challenges

Challenges endure, due to an increase in third-party contracting claims, but capacity remains relatively stable year-on-year. The domestic lead umbrella marketplace is expected to seek high single-digit or low double-digit rate increases and capacity is challenging due to limited options, while we expect capacity above \$25 million to offer flat to single-digit increases during renewals.

Trends to watch: Market concerns

- **Contractor injuries/limits:** As was the case in 2025, most of the larger claims impacting excess liability continue to center around workplace injuries sustained by contractors. Contractual requirements for third-party on-site contractors and hired trucking firms remain a focus for liability markets. While many companies in the energy sector utilize 'tiered-limit requirements' for evidenced excess liability contractual limits, the increase in claims settlements and awards are beginning to outpace these historical limit requirements. Hiring companies' insurance programs are beginning to become more exposed to large workplace injuries or hired-trucking accidents
- **Take action:** Clients should focus on revisiting 'tiered limit' requirements that seemed acceptable for the past 10-15 years to 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

- **Take action:** It is strongly recommended that buyers 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 policies. Driver training, consistent 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

To discuss how to prepare for 2026 trends, please contact:



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Energy hotspots:

Key global trends



North America

Bill Helander, North American Regional Leader, Willis Natural Resources

Global conflict with profound impacts on the energy industry have ushered in 2026. These actions in both the Western and Eastern Hemispheres have created an equal number of challenges and opportunities for companies operating globally. The staggering growth in AI data centers continues a broader trend of electrification and midstream investment seen in 2025. These trends of elastic commodity markets and an insatiable need for electricity are making strategic planning difficult and heightened the constant focus on costs and operational flexibility. Traditional upstream companies and power generation investment are converging. This convergence is

also seen in contracting firms providing the human element to design, build, and maintain such assets.

In the insurance markets, the divergence in the directional rate trends of liability and property markets continued in 2025 and appear to have only accelerated in the first few months of 2026. The energy property market has continued a buyer-friendly slide in the first quarter with double-digit rate decreases becoming the benchmark. While operational losses have occurred, ample market capacity continues to tilt the normal market balance with excess supply. Insurers' desire to grow or maintain quota-shared placements have often come at the expense of pricing discipline.

Unfortunately, abuse and failures in the broader American tort system continue to present litigation-derived challenges to liability insurers' assumptions on loss and appetites for risk. States have begun to take individual steps to address litigation abuse with recent successes in Florida and Louisiana but failed auto-focused tort reform in Texas disappointed energy firms and underwriters alike in 2025. These challenges and limited reinsurance support have kept



the primary auto liability and excess liability markets challenging with clients seeing continued rate increases. Underwriting focus remains on operational controls, procedures, and technology.

As abundant capacity continues to drive competition, insureds in North America can leverage these market imbalances in 2026 to make improvements within deductibles, waiting periods, and terms.



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Latin America

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Country activity

Investment in oil and gas remains strong across the region. Brazil's deepwater pre-salt developments, Guyana's rapid offshore production growth, and Argentina's Vaca Muerta shale expansion are generating significant new insurable values: one of the largest upstream capital deployment cycles in the region's history.

Recent geopolitical developments in Venezuela (including partial easing of U.S. sanctions and renewed engagement with international operators) are reintroducing the country into regional oil supply discussions. While the timing and scale of production

remain uncertain, even a gradual reactivation has the potential to materially influence regional investment dynamics. Beyond incremental production volumes, a sustained reopening of Venezuela's upstream sector would likely trigger broader economic opportunities across energy, marine, logistics and construction sectors. Venezuela's resurgence would not only expand insurable values but also stimulate a multi-layered services ecosystem, reinforcing Latin America's role within global oil supply chains.

Market conditions

Soft market conditions have extended into 2026, with rate reductions of 30–40% achievable on well-managed, loss-free renewals and more competitive outcomes on structured placements. New players (including MGAs and regional facilities) continue to increase the overall supply of capacity, creating favorable conditions, particularly for accounts with strong risk engineering and transparent exposure data.



However, the cumulative impact of severe flooding in Brazil and Colombia, persistent drought affecting hydro generation, and wildfire activity across parts of the region has reinforced underwriting caution for catastrophe-exposed risks. Insurers are applying more granular natural hazard modeling and examining the accumulation exposures and business interruption sensitivities with increasing scrutiny.

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

- Demonstrating robust governance and operational resilience: As (re)insurers refine portfolio selection, clients with transparent risk management, strong governance, and credible regulatory awareness will be better positioned to access capacity and favorable terms.
- Delivering data-driven risk information: Markets continue to reward transparency and data maturity with improved pricing stability and broader

coverage. Risk engineering will be key to delivering high-quality technical risk information, including updated valuations, catastrophe modeling outputs, and detailed risk control measures.

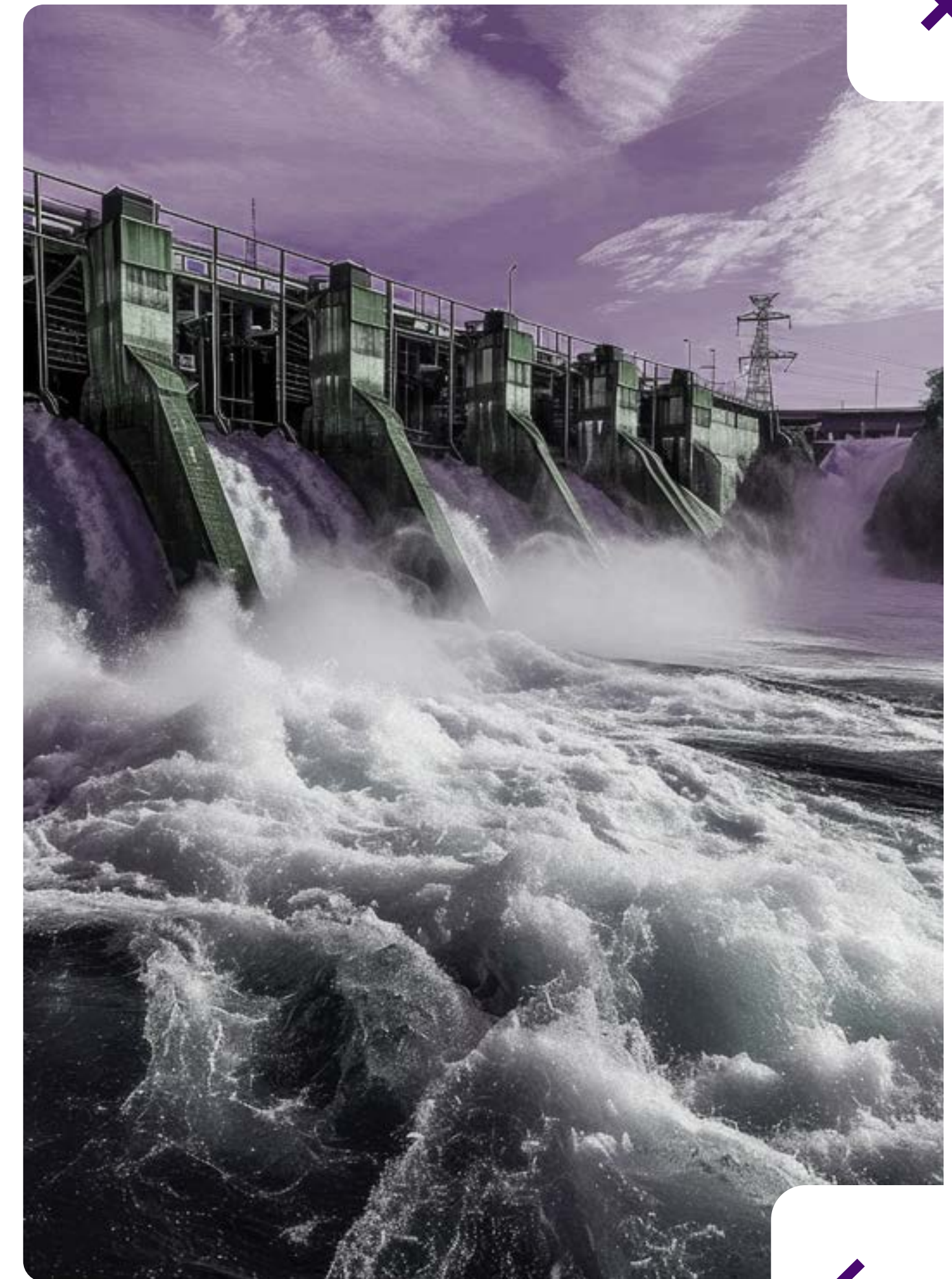
- Embedding geopolitical risk into enterprise risk strategies: The ongoing conflict in the Middle East and related geopolitical tensions are contributing to energy price volatility. Disruptions and heightened risks near key shipping chokepoints such as the Strait of Hormuz have pushed crude prices higher, leading clients and insurers alike to factor broader geopolitical risk into underwriting assumptions and scenario planning. Proactive assessment of supply chain exposures, transit risks, and event scenario planning can enhance negotiation outcomes with underwriters.



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Europe

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Europe's energy sector is undergoing a period of transition, shaped by declining domestic production, energy security concerns and shifting investment priorities.

Due to regulatory and energy security pressures, gas-led projects are being prioritized. But this is not translating directly into development in the upstream sector outside of select areas (including Norway which remains the largest gas supplier)

Trends include:

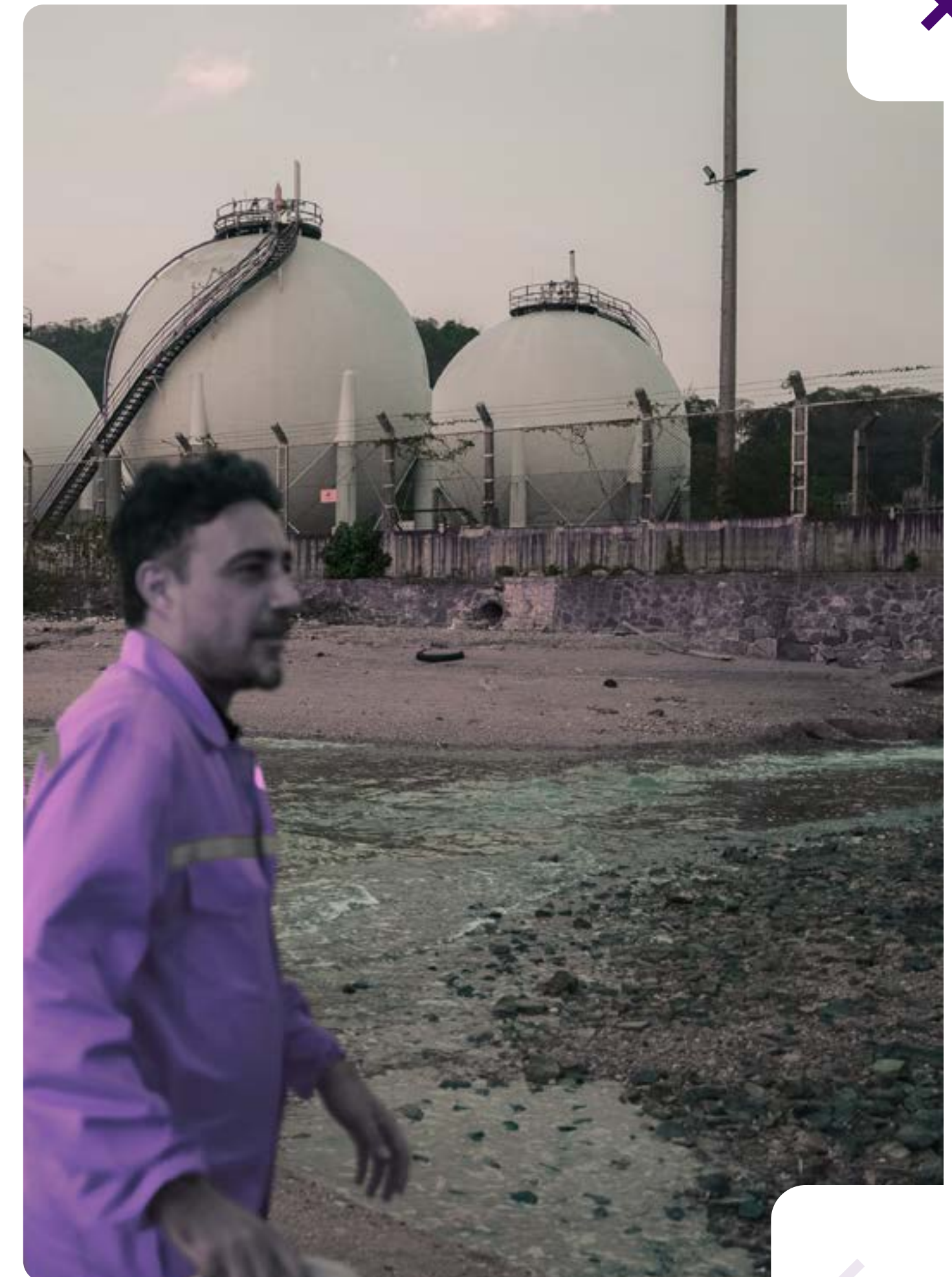
- Large-scale expansion of existing or new LNG facilities

- Expanding LNG import capacity via long term LNG contracts

- Accelerated investment into renewables

Diversification and high levels of M&A consolidation within the sector are leading to growth pressures for insurers, especially where there is a shrinking pool of traditional oil and gas risks. Insurers are rethinking long-term portfolio strategies; however, this is not directly impacting appetite and there remains a high level of competition. European-based insurers will compete strongly on well-managed risks to maintain their participation in country. While capacity remains abundant, we do not anticipate any near-term change in these conditions.

Europe's petrochemical sector is facing a well-documented downturn, driven by stressed margins, overcapacity, high energy costs, and increased competition with the U.S., Middle East & China. Insurers are reacting with a blend of caution and opportunity. On one hand, insurers may apply more focus on operational resilience and asset integrity, on the other hand, the



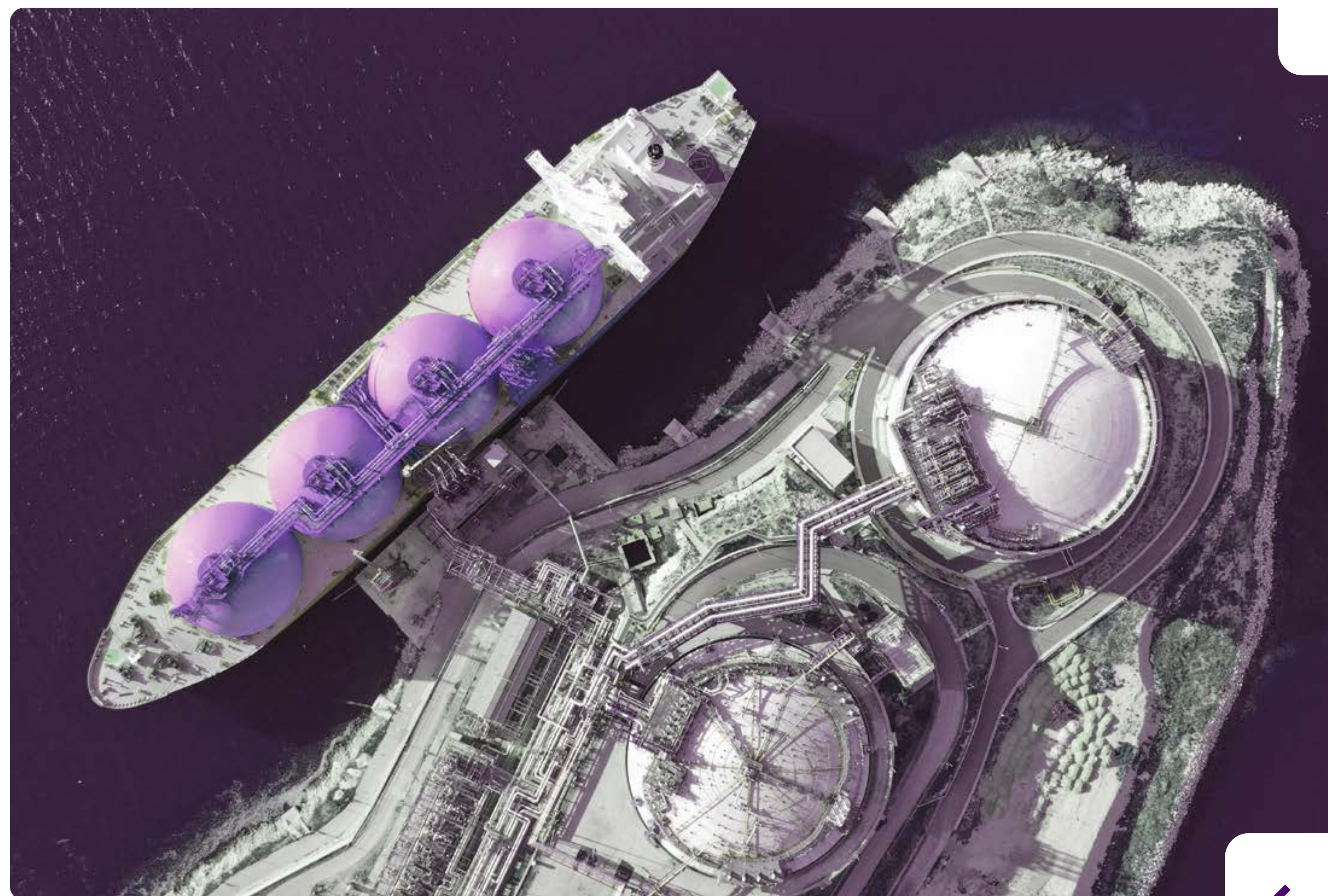
downturn is prompting some insurers to compete more aggressively for stable, well-run facilities, particularly those demonstrating strong process safety performance and credible long-term transition strategies.

“It is increasingly important to work with your broker to ensure your insurers understand your investment priorities and strategy moving forward in this ever-changing and complex landscape”, Linda Taylor, Head of Natural Resources, Western Europe.



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Middle East

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Recent geopolitical tensions in the Middle East have inevitably heightened insurer focus on potential aggregation exposure across regional energy infrastructure, including upstream operations, midstream transport networks and downstream refining and storage assets. While the conflict has not materially constrained insurance capacity across energy placements so far, underwriters are monitoring the potential for collateral impacts such as drone activity, disruption to export terminals, pipeline infrastructure or logistics chains supporting energy supply. As a result, some insurers are paying closer attention to asset location, security protocols and the interaction between conventional property damage programs and standalone war or political violence covers.

Pricing across Middle East upstream risks is increasingly fragmented rather than uniformly soft. High-quality operating programs continue to attract strong competition and generally achieve reductions, particularly where incumbent leadership is tested. 40–45% reductions are available in more competitive tenders, but the ultimate outcome will vary.

Markets are competing to deploy capacity for mobile offshore units and repeat drilling programs, whereas terms offered during initial marketing for exploration wells, technically-uncertain exposures and construction-linked placements have not translated into final placement. There's a growing gap between theoretical and working capacity.

The region's benign loss record and steady project activity continue to support insurer appetite, but underwriting discipline is becoming more visible. Markets are increasingly distinguishing between national operators and contractor-driven placements, with greater scrutiny on well design, contractual allocation and aggregation exposure. As a result, overall conditions remain favorable for buyers, but the cycle is shifting from broad-based softening toward



more selective competition.

Insurers across the Middle East are also playing an increasingly important role in international placements, influencing outcomes on risks in Asia and Latin America. Insurers' willingness to quote, combined with reliable service and efficient turnaround times, mean they are part of the core marketing strategy rather than simply follow capacity. Programs that rely solely on the traditional hubs may achieve attractive headline reductions, but meaningful engagement with regional markets can materially alter final outcomes where competition is fully tested.

Against this backdrop, market capacity in the Middle East continues to grow, with an increasing number of experienced underwriters choosing to base themselves in the region and build out their own platforms, leveraging international experience and adding more meaningful value to multinational programs.

Programs that present clear engineering information, robust business continuity planning and well-defined exposure information are generally achieving the most favorable outcomes. Clients seeking to maximize outcomes through 2026 are likely to benefit from:

- Early engagement with insurers
- Clear articulation of operational risk management and security controls
- A well-structured marketing strategy that tests capacity across both traditional underwriting hubs and regional markets



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Asia

Charlotte Watts, Head of Energy and Mining, Willis Natural Resources, Asia

Downstream energy

Despite significant global refinery losses in 2025, the downstream energy insurance market remains firmly buyer-favorable in Asia in early 2026. Abundant capacity, strong insurer appetite for premium growth and a continued absence of large losses in Asia are sustaining competitive conditions, particularly for well-engineered, loss-free refinery and petrochemical risks. Rate reductions are continuing, though at a more disciplined pace than mid-2025, and underwriting scrutiny has increased for any clients with any U.S.-exposed assets.

Crucially Asia remains the most profitable downstream region for many global insurers, with only low value attritional losses recorded in 2025. Capacity in Asia is deep and diversified, led by established global carriers with credible support from Lloyd's and increasingly regional markets such as Middle East, alongside two new MGAs with a primary focus on underwriting energy business in Asia. Competition is strongest for large, technically robust programs, which are frequently oversubscribed.

The soft market is expected to persist through at least H1 2026 in Asia. While insurers are increasingly conscious of rate adequacy, oversupply of capacity and ambitious growth targets are likely to cap any meaningful upward pricing pressure in the near term. Buyers are well positioned to lock in competitive pricing and improved coverage terms, especially where local market participation or captives can be leveraged.



Upstream energy

The upstream energy insurance market in Asia remains decisively buyer friendly, supported by another year of benign loss experience, expanding insurer capacity and strong competition for quality risks. Insurers continue to report profitable upstream portfolios in Asia, and this is translating into ongoing rate reductions, broader capacity deployment and improved leverage for well-managed risks.

However, the upstream construction sector has experienced some loss activity, which may hit later due to the longer-term policy periods of these construction projects. Insurers remain cautious when considering both subsea and complex offshore construction remains more constrained following sustained global loss activity.

The lack of major upstream energy losses through 2025 has reinforced the region's status as one of the strongest performing geographies within insurers' upstream portfolios globally. This contrasts with

isolated loss activity in other regions and underpins continued insurer confidence in Asian upstream risks. Insurers continue to view Asia as a core growth region for upstream energy, particularly for established operators with strong operational and risk management credentials.

Energy liability

Stable capacity, strong competition for well-managed risks and broadly flat to low single-digit movements are the headlines for energy liability across Asia.

For Asia-based energy liability accounts, the outlook is stable to cautiously improving rather than aggressively soft. Capacity remains available, competition exists for the right risks, and pricing momentum is largely under control in the absence of major loss activity. However, liability remains the most sensitive part of the energy insurance portfolio, and a small number of large losses could quickly change market sentiment.



Securing optimal outcomes

Good quality risk information, survey reports and building rapport with your insurers via renewal roadshows still remain the best way to secure optimal terms in 2026.



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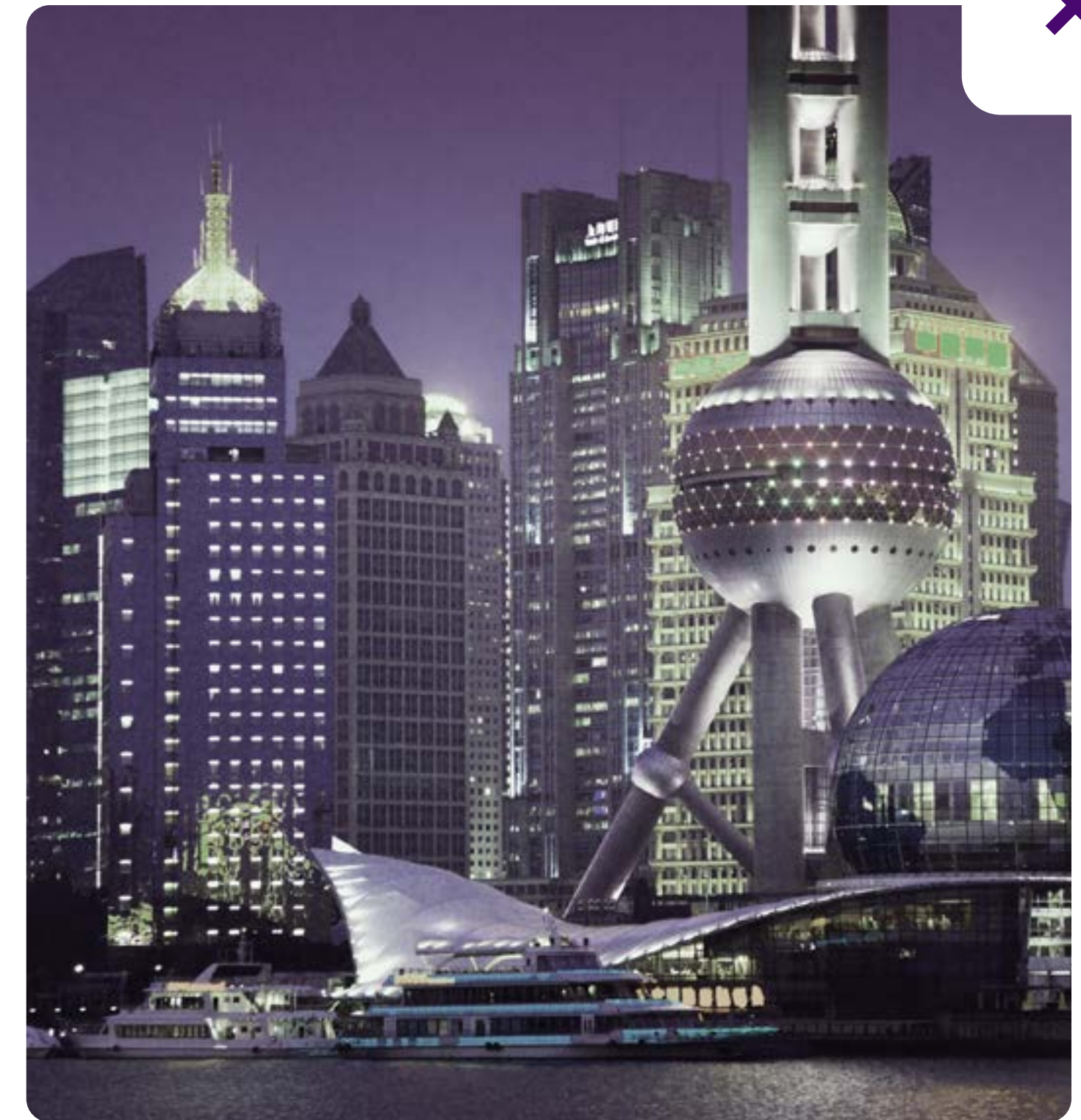
Chinese market capacity for energy risks remains broadly stable, with approximately \$400-450 million available for upstream risks and \$5-6 billion for downstream risks, consistent with last year's levels. No material loss events have been recorded in the past 12 months that would significantly influence domestic insurers' underwriting appetite or balance sheets. Market participation among Chinese insurers remains strong, and overall pricing and capacity deployment show little deviation from prior year conditions.

From 1 November 2025, the non-motor Bao Xing He Yi regime (all property insurance other than motor vehicle insurance) introduced by the regulator took effect. Beyond the well-publicized cash-before-cover issuance requirement, the framework is viewed as a structural reset of market rules: it mandates strict

alignment of issued policies and rates with filed terms, tightens fee and intermediary governance, curbs off slip adjustments, and promotes pricing discipline and transparency. These measures are expected to underpin a more orderly and sustainable property insurance market over the medium term.

Looking ahead, Chinese insurers are expected to continue prioritizing support for Chinese enterprises investing along the Belt and Road Initiative. Projects with clear Chinese ownership or interest are likely to remain the preferred focus for domestic underwriting capacity, whereas appetite for non-Chinese-interest risks is expected to remain limited. In parallel, Shanghai's development as a reinsurance hub, including the use of market infrastructure designed to centralize and streamline China related reinsurance placements, continues to progress, reinforcing steady but increasingly strategic alignment in the market for the year ahead.

"To put yourself in a strong position for insurance negotiations in 2026, present good quality underwriting information partnering with an experienced broking team."



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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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