



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

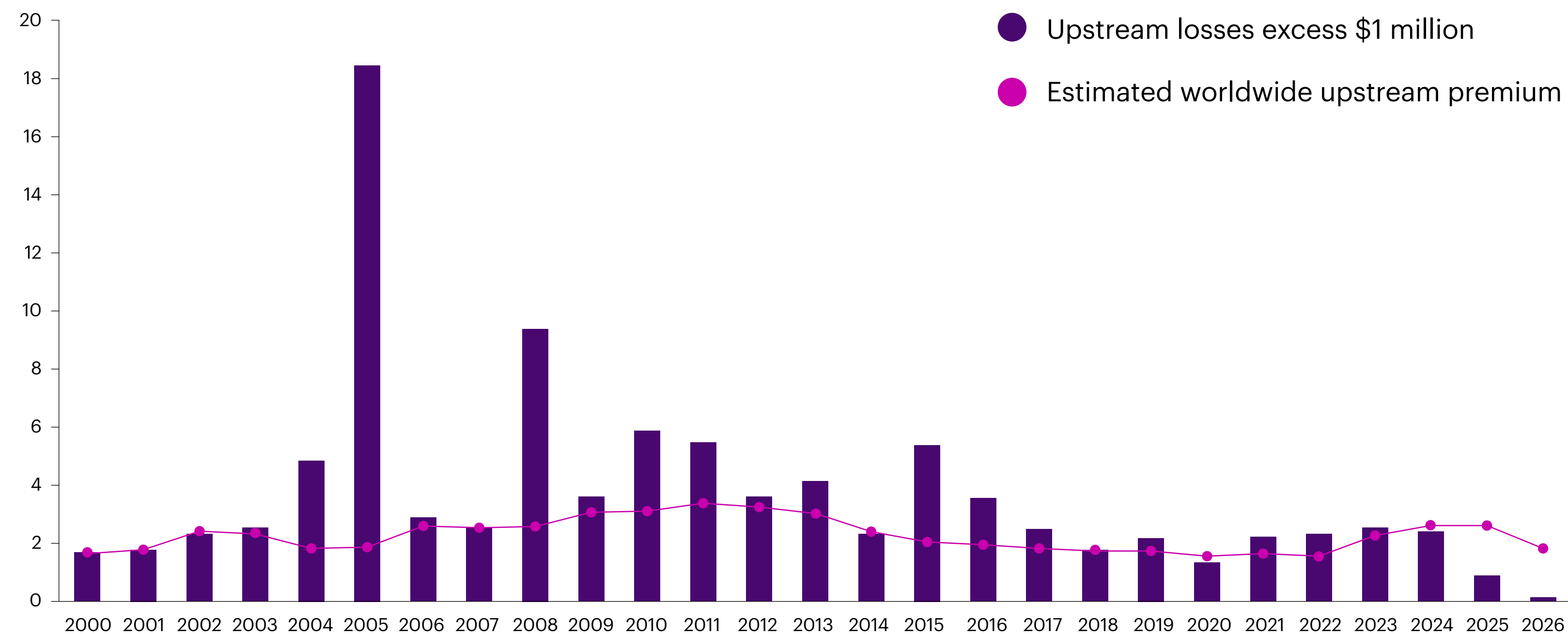
The post-COVID-19 and Russia-Ukraine-war construction boom was spurred on by nations focusing on energy security, but construction is a long tail risk and the tails of these placements are only now beginning to manifest into losses as the projects near completion — typically the most exposed stage of 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

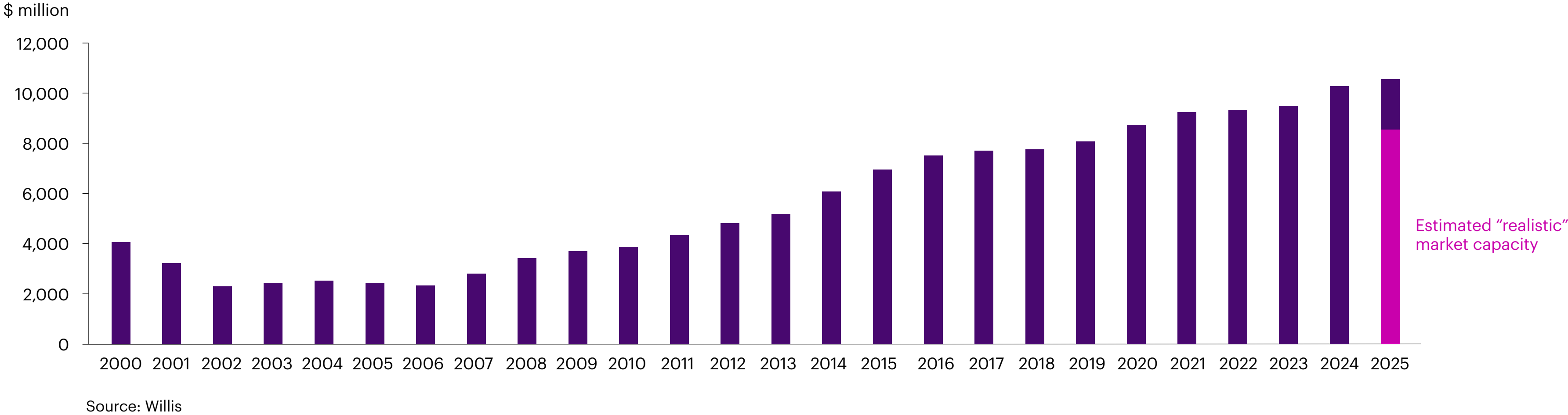
Capacity is at an all-time high, driving competition among underwriters

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)





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.

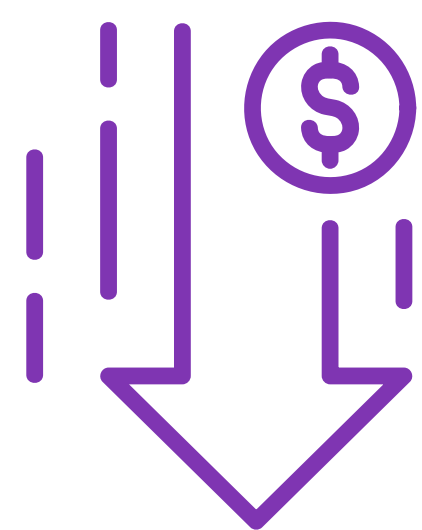
Ratings are 'through the floor'

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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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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