

## Global offshore energy insurance sees growth in premiums

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A fragile balance between low claims levels and a low premium base in the global offshore energy insurance sector was continuing, according to the recently released IUMI Stats. The offshore energy market reported a global premium base of \$3.6bn, which represented an increase in premiums of 8.6%. IUMI said that this was the first real increase in premium base since the 2014 drop in oil price, “which drove an equally strong drop in premiums over those years”.

IUMI noted that in the offshore energy insurance the level of premium income mirrored the oil price, and the premium base may have reached the bottom of the cycle in 2019. However, the report noted that the oil price remained volatile and was impacted significantly by the pandemic in 2020.

“Since then, a price rally seems to be underway, but it will take a number of months before the offshore energy market follows”, the report said, noting that historically there was an 18-to-24 month time lag between a change in the oil price and activity levels catching up.

However, events such as Hurricane Ida and the pandemic had the potential to end the period of low claims impact and put the brakes on any underwriting improvement, the report warned.

In 2020 claims were at an all-time-low and on track to produce the fewest upstream claims this century – both in numbers and value. However, reactivation in the sector, which was being driven by stronger oil prices, had the potential to reverse this trend.

Nat cat events – to which the offshore energy sector was particularly susceptible – had been relatively benign in recent years but the outcome of Hurricanes Ida and Nicholas on offshore energy claims was not yet fully known at the time of publication. “This could easily offset the current fragile balance”, the report stated.

In recent years more risk had been retained by the oil companies, meaning that less business had entered the global insurance market, where capacity had largely remained static.

IUMI noted that, in the longer term, traditional energy sources were starting to give way to more sustainable fuels; renewables, hydrogen and carbon capture and storage processes would grow in importance. “Although there will be a continuing need to insure conventional offshore energy assets, the risks associated with new sources will create additional opportunities for energy underwriters”, IUMI concluded.

<https://iumi.com/statistics/public-statistics>