

A fundamental shift for offshore energy underwriters, say IUMI



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Offshore Energy underwriters have enjoyed an upward trend in global premiums since 2019 with the 2022 premium base being reported as USD4.1 billion at this year's International Union of Marine Insurance (IUMI) conference. The uplift of 7.3% was largely reflective of the oil price and the corresponding increase in offshore activity, particularly jack-ups and deep-water vessels. Inflation and its impact on asset values was also a factor. Once again, macroeconomic and geopolitical changes continued to be significant including ongoing concerns over energy security with no end in sight for the war in Ukraine.



Over the coming few years, the fundamentals of the offshore energy insurance market were likely to shift much more significantly than other insurance sectors as Melanie Raven, Vice Chair of IUMI's Offshore Energy Committee explained:

“As we approach peak oil, the growth in lower carbon technology is now accelerating. Floating wind capacity, as an example, is forecast to grow exponentially over the next few years as increased levels of investment are injected. The move to a low carbon future represents a fundamental shift for offshore energy underwriters and this will reach farther and deeper into our sector of insurance than any other.”

The evolution of energy production will give rise to a new set of technologies with new risks that will need to be insured. But offshore energy underwriters can draw on past experience:

“Although we are facing a very different future, we are not having to reinvent every wheel”, said Melanie Raven. “Carbon capture and storage facilities are likely to feature large over the coming years but underwriters in our sector are used to insuring subterranean structures. It shouldn't be a great leap for us to provide cover for these new facilities.”

Delegates were reminded that capacity in the upstream sector is still abundant and that for many, the oil and gas sector remains an important part of an insurer's portfolio. For an energy industry adapting at speed, it would require stability and continuity from the insurance community as well as strength in leadership.

"Lower carbon solutions are moving very quickly and insurers must keep abreast of change and remain agile in order to respond to industry demands. We need to continue to support our customers with their existing needs as well as innovate and re-invent our insurance products so they remain fit-for-purpose. Insurance must be an enabler and not a blockage in this vital energy transition process."

She continued:

"It is encouraging that there are a many positive developments currently underway including methane gas leak detection reducing GHG emissions as well as the electrification of offshore platforms using renewable energy sources. It's our job, as underwriters, to get behind these innovations and support the transition to a cleaner future."

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For further information contact:

Mike Elsom

Phone +44 7968 196077

Email mike@mikeelsom.com

About IUMI The International Union of Marine Insurance e.V. (IUMI) is a non-profit association established for the purpose of protecting, safeguarding and advancing insurers' interests in

marine and all types of transport insurance. It also provides an essential forum to discuss and exchange ideas, information and statistics of common interest for marine underwriters and in exchange with other marine professionals.

IUMI currently represents 42 national and marine market insurance and reinsurance associations.

International Union of Marine Insurance

Grosse Elbstrasse 36, 22767 Hamburg, Germany

Phone +49 (0) 40 2000 747-0

Email info@iumi.com