

Cautious optimism on the horizon for offshore energy underwriters, reports IUMI 2018



19th September 2018

Although global premiums for the offshore energy insurance sector dipped by 5% in 2017, signs of recovery are on the horizon. Speaking at this year's International Union of Marine Insurance (IUMI) conference in Cape Town today, IUMI's Offshore Energy Committee Chairman, James McDonald, explained:



“Oil prices have steadily risen by 40% since last year’s IUMI conference and this is starting to drive activity in the oil and gas sector. Capital expenditure in the sector is forecast to grow by around 6% each year with the lion’s share of the growth being in North America, Africa and Latin America. We are also expecting both production and consumption of oil to continue to rise for the foreseeable future. Here we need to apply some caution as the margins between supply and demand are thin but these small margins can create volatility in the market. OPEC and Russia’s ongoing discussions could impact the price of a barrel of oil significantly as could geopolitical considerations in countries such as Venezuela and Iran. That said, there are enough positive factors for offshore energy underwriters to view the immediate future with slightly more optimism that they have been able to do for the past two or three years”.

In 2015 and 2016, large losses (those greater than US\$100 million) significantly eroded market premium, although the number of large losses in 2016 was just three (10 in 2015). Large loss frequency in 2017 was also low (three), probably as a result of the reduced offshore activity. However, when attritional losses were included, claims continued to outstrip the premium base and this was a concern. In the future, the frequency of claims was expected to rise in line with increased fleet utilisation and offshore activity in the high risk sectors of exploration and offshore construction.

The increasing risk of cyber-security was also highlighted as a particular issue for underwriters and one that would have to be seriously considered when pricing risk in the future.

“We are seeing a slight uptick in the oil and gas sector and this will filter through to the insurance market as the oil companies increase their exploration and development

activities. An increase in activity is good for our top line premiums but this is likely to be tempered with an upswing in attritional claims. One concern however is that the cost-savings that the oil companies have made could have a negative impact on the risks we face.”, said McDonald.

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Notes to editors:

The International Union of Marine Insurance (IUMI) represents 40 national and marine market insurance and reinsurance associations. Operating at the forefront of marine risk, it gives a unified voice to the global marine insurance market through effective representation and lobbying activities. As a forum for the exchange of ideas and best practice, IUMI works to raise standards across the industry and provides opportunities for education and the collection and publication of industry statistics. IUMI is headquartered in Hamburg and traces its roots back to 1874.