

Despite some positive indicators, concerns remain for offshore energy underwriters, reports IUMI



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At today's IUMI (International Union of Marine Insurance) conference in Toronto, Canada, James McDonald, Chair of the IUMI Offshore Energy Committee reported a further reduction in global offshore energy premiums. Global premiums in this sector were reported to be USD 3.4 billion which represented a 3% reduction from 2017. This continued the downward trend: premiums in 2017 were down 5% on the previous year and premiums in 2016 were down 21% on 2015.



James McDonald explains: “the drop in premium income has largely followed the oil price which has dipped by around 20% over the past year. Oil demand is being affected by trade tensions which is impacting economies across the world. Conversely, geopolitical considerations in Venezuela, Iran, Libya and Syria in tandem with OPEC and Russia’s agreement to cut production is squeezing supply.”

“Whilst premiums have again fallen, 2018 is only the second year in a decade that they have stayed ahead of claims. 2018 has seen a historically low number of large losses to date but there are several potential large losses in the pipeline, including possible LOPI (loss of production income) losses on two FPSOs and a significant blowout in Indonesia. 2018 is still an immature year and given the increased activity in the oil and gas sector, it is likely to have a longer tail than the years immediately preceding it”.

Sentiment appears to be driving the current market and there are modest indications that a return to profitability is imminent. However, several challenges remain for underwriters including:

- Aging infrastructure and the operation of platforms well beyond their design life.
- Increasing cyber threat.
- Climate change leading to more frequent and severe windstorms and floods; and the spectre of climate change litigation.
- Rising and unsustainable acquisition costs.
- Disruption to distribution and the need for new ways of working with changed procedures and processes; and capital expenditure to ensure IT infrastructure is fit for purpose.
- Increased underwriting expenses.

McDonald concludes: “on balance, it appears that the offshore energy market has turned a corner and that a stabilised oil price is assisting a possible return to profitability – to use a marine analogy, a rising tide lifts all boats”.

Ends

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Notes to editors:

The International Union of Marine Insurance (IUMI) represents 43 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.

More information can be found at www.iumi.com