

Energy underwriting is changing to reflect society's transition to a cleaner future, says IUMI



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The International Union of Marine Insurance (IUMI), at its 150th annual conference in Berlin (Germany) reported that global premiums relating to the Offshore Energy sector continued to grow following the oil price slump of some years ago. Premiums in 2023 were reported as USD 4.6 billion representing a 4.6% increase on the previous year. This was largely on the back of the oil price having stabilised at a relatively healthy level which was driving renewed offshore activity. Although claims from reactivation had been largely benign, 2023 witnessed an increase in losses which was impacting on overall loss ratios which were beginning to underperform when compared with the years 2020-2022.



In general, the role of the offshore energy underwriter was changing to mirror how clients were decarbonising. Melanie Raven, Chair of IUMI's Offshore Energy Committee explained:

“Offshore oil & gas is extremely important and will continue to be so for many years to come. Society needs energy companies to continue to invest in fossil fuels to enable more efficient and less carbon intensive extraction. This will allow a more effective and manageable transition to renewable energy sources. Recently, the IEA reported a USD 3 trillion global energy investment with two-thirds of this going to clean energy technologies. This demonstrates how fast these companies are moving towards a cleaner future and gives a call-to-action for energy underwriters to follow suit.”

“Forward looking energy insurers are already reinforcing their long-term partnerships with their clients to fully understand the new and innovative activities underway or in the pipeline. It is not always easy for underwriters to fully understand these imaginative and not-seen-before projects and many will need to adapt the way they currently operate. Underwriters cover risk based on historical data but this simply doesn't exist for these new projects and technologies. Underwriters will need to work hard to establish deep and trusting partnerships with their assureds so that new and relevant insurance products can be created. Similarly, we will also need to encourage the support of our capital providers. As projects get underway, I'm sure we will see a continued, if not enhanced, need for on-site surveyors to be insurers' eyes and ears,

reporting on progress and what is likely to be a developing risk profile.”

Melanie Raven also commented on internal reorganisation within many insurance companies encouraging their energy underwriters to become “hybrid”. Underwriters have tended to specialise in upstream, downstream or power but many were now re-skilling to understand traditional fossil fuel activities as well as renewables. This was to mirror their clients’ activities allowing them to offer a more comprehensive and combined offer.

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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.

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