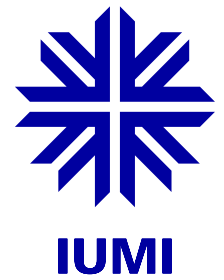


Gloomy outlook for offshore energy insurance sector blighted by falling premium base and increased volatility, says IUMI



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Speaking at yesterday's IUMI Genova conference, Simon Williams, Chairman of IUMI's offshore energy committee, warned that the offshore energy sector was facing a series of significant challenges.

He said:

"We have not witnessed this level of downturn for 30 years – a drastic reduction in the oil price and a slowdown in activity coupled with a very soft insurance market where capacity continues to increase".



The depressed oil price has forced operators and contractors to reduce their activity which has driven down the premium base of the energy account. Williams explains:

"Most clients are still wanting to insure their key assets but the uncertain oil price is forcing a reduction in the premium base as many clients reassess their insurance needs. This is not something we've had to contend with for 30 years. Provisional 2015 numbers show a reduction in premium income of around 20% when compared with 2014 and this number might reduce further when adjusted income is calculated at the end of the underwriting year. This theme is likely to continue for the 2016 year."

"The challenge facing underwriters is that although the premium base has reduced, peak exposures still remain and this means that an energy underwriter has to manage a much more volatile book of business than in the past. Peak exposures are relatively common, but set against a significantly lower premium base, they have the potential to have a much greater impact on the book. This level of volatility is a new challenge for energy underwriters".

Alongside this, market capacity is estimated to have risen to around USD7.5 billion. As capacity continues to grow, competition on pricing becomes more intense.

More claims were recorded in 2015 than the previous year and if 2016 losses match those in

2015 then underwriting losses are very likely for the 2016 underwriting year, warns Williams.

Ends