

# Tough times ahead for offshore energy insurance



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Speaking at this year's IUMI conference in Berlin, Simon Williams, Chairman of IUMI's offshore energy committee reported continuous growth in the sector with 2015 capacity reaching around USD 7 billion - although he cautioned that USD 5.5 billion was more realistic.



"Although 2014 appears to be delivering another good result for insurers and reinsurers", he said, "it is too early to say if the year will be profitable."

Williams explained that the first six months of 2015 had already recorded the largest number of losses since 2011 and that this could well impact significantly on 2014 profits.

"Our sector has already racked-up more than USD 2 billion in a series of losses, including incidents in Mexico, the Falklands and Brazil. 2014 underwriting year still has a way to go", he said.

The rapid drop in oil prices was fueling market pessimism and Williams thought the immediate future outlook was bleak:

"Low commodity prices are impacting on risk management budgets, reducing rig day rates, less drilling activity and a shelving or postponement of construction projects. Clients are focusing on budgets and looking hard at existing limits and coverage", he said. "this will be detrimental to our business going forward."

On a more positive note, it was reported that current oil reserves were depleting at around 5% per year and so drilling and exploration was likely to be reinvigorated before the end of the decade.

"Although the true result for 2014 is yet to be determined", said Williams, "there will be some tough times ahead for the energy insurance market but I do see some light at the end of the tunnel when offshore activity gets underway again".