

Howden Specialty

Energy Insurance Market

July First Half Bulletin

HOWDEN

H1 Downstream Market Recap

During the first half of the year, the downstream market has been marked by notable claims turbulence, driven by the impact of various significant losses. These events, are estimated to result in combined insured losses approaching USD 2 billion, which have drawn considerable attention across the sector. Despite the scale of these incidents, overall market rating levels have continued on a downward trajectory.

A rise in strong local capacity, coupled with a growing appetite to write both domestic and international business, has intensified pressure on reinsurers; who continue to be pushed to offer or support significant discounts to protect their positions on well-subscribed international programmes. For clients, this dynamic has meant more flexibility in structuring programs, with enhanced access to competitive regional terms.

H2 Downstream Outlook



Summary



Double digit rate reductions are still underway in the Downstream market for clean and well managed risks. Although, single digit reductions have still been seen for risks with loss records, this isn't the usual trend for loss hit risks and is mainly because of the accounts being part of the underwriter's 'core' portfolio.



Rates for risks with exposure to natural catastrophes are expected to experience rate reductions, regardless of the size or scale of the risk. This can be credited to a combination of factors, including increased capacity and a treaty renewals that were completed earlier in the year.



Long Term Agreements (LTA's) are continuing to be more favourable due to market instability and the desire for long term security. This can provide various incentives to the client and most (re)insurers are willing to agree to the LTA's as well.



Capacity increased in Q1, with the likes of Canopus, Africa Specialty Risks and fewmore, which will continue to provide competition within all London and international markets. Therefore, we are seeing reduced premiums put in place to leverage their support on clients' risks.



While the downstream market remains exposed to potential volatility from high-severity losses, it is likely that rate movement will continue to be pushed lower by the abundance of available capital and the strategic driven by many markets to protect or grow their revenue. This makes careful risk selection, robust engineering data, and ongoing dialogue between brokers and underwriters more important than ever.



Matt Brittain left Sompo to join Keens at Canopus.
Charlie Thomas returns to underwriting at Arch after his 2-year stint at Shell.



Global Downstream Losses

Notable losses in the last 12 months:



Greece

September, 2024

Refinery fire, three known injured, loss amount approximately USD580m.

Germany

January, 2025

Refinery fire caused by an explosion, injuring at least 4 people. Loss amount estimated to be USD600m.

USA

February, 2025

Fire at an Oil Refinery in San Francisco which is expected to be at least USD900m.

USA

June, 2025

Major fire at refinery in Galveston Bay, Texas, which is expecting to hit the market with a large BI claim of at least USD500m.

H1 Upstream Market Recap



In the first half of 2025, the upstream market continued to favour buyers, driven by a sustained oversupply of capacity and a competitive underwriting environment. Despite the broader volatility in the global energy sector, market conditions remained largely soft, with underwriters competing aggressively for market share across both operational and construction portfolios.

The abundance of available capacity, particularly from regional and international carriers with healthy risk appetites, has led to a further reduction in rates. Many clients have renewed their programs at a reduced cost, often with expanded coverage scope or enhanced sub-limits.

The stable loss environment in upstream operations over the past 12–18 months has further supported this trend, reinforced insurer confidence and enabling continued downward movement in pricing.

H2 Upstream Outlook



Summary



We are expecting to continue seeing soft market conditions in the Upstream market for risks of all size. However, we are seeing more substantial discounts being given when there is at least USD 3,000,000 in premium on the risk and/or it being part of Underwriters 'core' portfolio.



Smaller risks which are well-engineered with a clean loss record are well positioned to secure more competitive terms, with rate reductions generally expected in the high single digit range.



Following the recent blowouts in the Deepwater of the Gulf of Mexico / America, insurers remain cautious. While flat renewals may be achievable for clean accounts, this coverage has not generated underwriting profits for some time, contributing to a more measured market approach.



Over the last 5 years the Named Windstorms (NWS) market has been relatively stable, with NWS season now in full swing, we are continuing to see flat rates across wind risks. The NWS market isn't benefiting from softer market conditions like the rest of the market due to increasing demand for NWS capacity from both new and existing clients, and overall capacity remaining stable.



Long Term Agreements (LTA's) are continuing to be more favourable due to market instability and the desire for long term security. This can provide various incentives to the client and most (re)insurers are willing to agree to the LTA's as well.



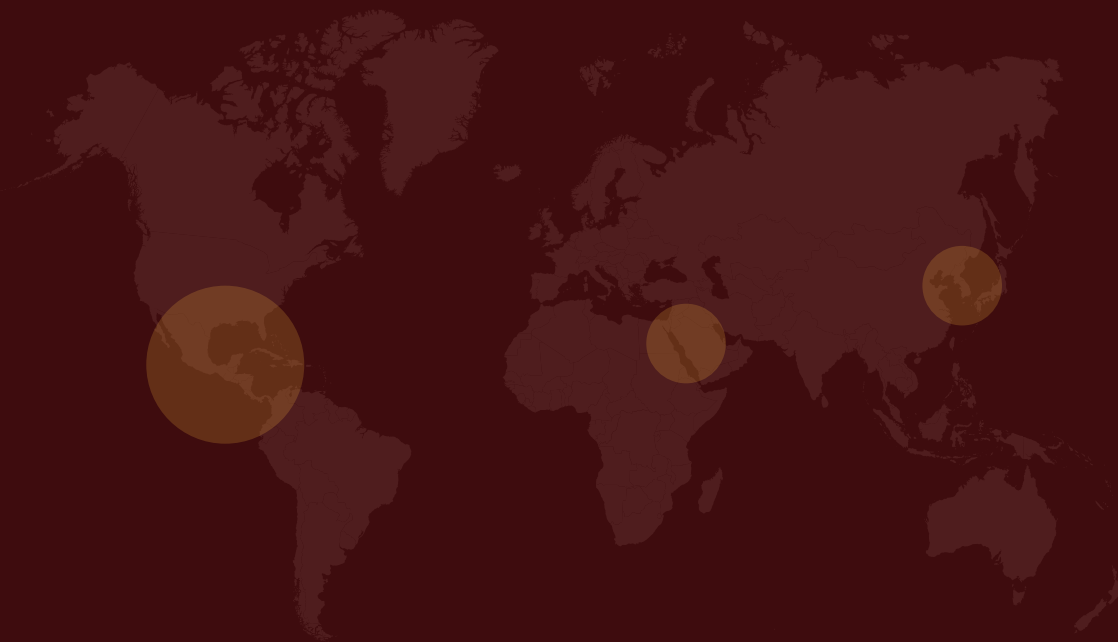
As a result of the increased capacity entering the market we are seeing reduced orders to London where local carriers are also willing to be more flexible on terms and pricing, especially for Indian risks where the tax levy is significant for international markets.



Matt Rose who previously was at Starr has now joined Convex
Steve Portman has started at Apollo after resigning from MS Amlin
Emily Brand has left Aegis in London to join Chaucer's Singapore team

Global Upstream Losses

Notable losses in the last 18 months:



South Korea

February 2024

Construction loss where topsides for a new FPU were damaged USD200m.

Gulf of Mexico

2024/25

Multiple blowouts over the last 12 months in the Gulf of Mexico, totally approximately USD200m.

Mexico

April 2024

Major platform fire on the Akal-B Oil platform. Nine known injured. Loss to be between USD450m.

Gulf Of Suez

July 2025

Jack-up barge capsizes, killing at least 4 people, total amount unknown.

2024 Power Market Recap



Over the last 12 months, we have seen several new capacity providers enter the Power space, such as TMHCC, Volt, Ascot, The Hartford, however we are also seeing teams who were more renewables centric expand their appetite to include conventional power as well, such as Markel and Brit.

With increased competition in the market, underwriters are offering increased line sizes across their portfolios, which is helping drive renewal rates down.

2025 Power Market Outlook



Summary

The first half of the year has seen rate reductions settle slightly at 5%, which has been driven by treaty renewals, however we expect the downwards trend to continue from H2 to year end, assuming no large or significant losses hit the power market, mainly stimulated by a gap in actual vs budgeted forecast for the year.

- On a blended basis, with some placement optimisation, clients are seeing actual composite rate reductions higher than the above. Going into H2 we are now anticipating seeing 7.5% to 10% rate reductions, for clean and well-engineered risks.
- The 2025 consensus is to maintain terms as tight as possible despite the concessions given on rates, however some insurers are agreeing to policy enhancements as increased deductibles, reduced sub-limits and BI limitation clauses, on a case-by-case basis.
- USA Tariffs are a big concern for Insurer's this year, due to the higher tariffs required on materials being imported/exported for America. Overall, this causes claims figures to creep up, which is causing concerns for Insurer's. We foresee a new clause being introduced to exclude the increased tariffs, however, as of now there is nothing in the market that has been agreed.
- We are seeing a resurgence in markets willing to offer long term agreements or no claims bonuses to attract and retain new and existing clients.
- There is a big focus on artificial intelligence and auto follow capacity, which is increasing more and more each month. While it's still in the early stages, it's hard to determine what effect this will have on the international power market, however new products are likely to emerge over the next 24 months utilising improved modelling, streamlined admin and resulting in more fintech / auto follow capacity becoming available.

The evolution of AI and increase in cyber security threats; how will this affect clients and the insurance market?

Increased cyber security risks with digital transformation

Oil and gas companies are increasingly adopting digital technologies, including AI, Internet of Things (IoT) devices, and automation, to optimize operations and improve efficiency. However, this digitalization introduces new vulnerabilities.



AI-driven vulnerabilities

As AI becomes integral in decision-making processes—like predictive maintenance or managing the supply chain—it increases the number of entry points for cyberattacks. Hackers could potentially manipulate AI algorithms to cause operational disruptions, damage infrastructure, or steal sensitive data.



Critical infrastructure targeted

Oil and gas infrastructure, such as pipelines, refineries, and offshore platforms, often run on legacy systems that were not designed with cybersecurity in mind. Integrating AI into these systems makes them more sophisticated but also more complex to secure. A cyberattack on a critical asset could disrupt the supply chain, cause environmental damage, or result in massive financial losses.




AI in cyber security defense

On the flip side, AI is also being used to enhance cybersecurity. In response to the rising threats, oil and gas companies are leveraging AI for:

-  **Threat detection and prevention**
AI tools are increasingly deployed to monitor and detect anomalous behavior within networks. They can identify potential cybersecurity breaches faster and more accurately than traditional methods, enabling proactive responses before damage occurs.
-  **Automated incident response**
AI can be used to develop automated systems that respond to security breaches by shutting down affected systems or implementing containment measures, reducing the human resources needed for immediate responses.
-  **AI for risk assessment**
Insurers are also using AI to assess cybersecurity risks in real-time, helping them better understand the potential impacts and exposures related to clients' digital infrastructures.

Impact on insurance products and coverage

With rising cyber threats, the insurance market must evolve to provide coverage that reflects the new realities of cyber security risks:

-  **Cyber Insurance**
Traditional oil and gas insurance policies (such as those for property damage, business interruption, and liability) may not adequately cover cybersecurity risks. As a result, energy insurers are increasingly offering cyber liability insurance to cover losses from cyberattacks. This includes coverage for data breaches, system downtime, ransom payments, and regulatory fines.
-  **Increased premiums and underwriting complexity**
As cyber risks become more prevalent, insurers may adjust their pricing models. Companies with poorly secured AI systems or outdated infrastructure could face higher premiums. Insurers are also likely to demand stricter risk management practices, including more robust cybersecurity protocols and the use of AI-driven security measures, before providing coverage.
-  **AI in risk pricing**
Insurers are starting to use AI themselves to better understand and price risks. By analysing vast amounts of data, AI can identify patterns that might not be immediately apparent, helping insurers set premiums based on the true level of exposure a company faces. This may lead to more tailored insurance products.

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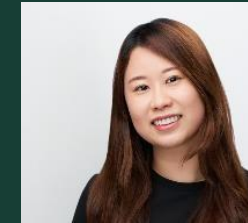


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