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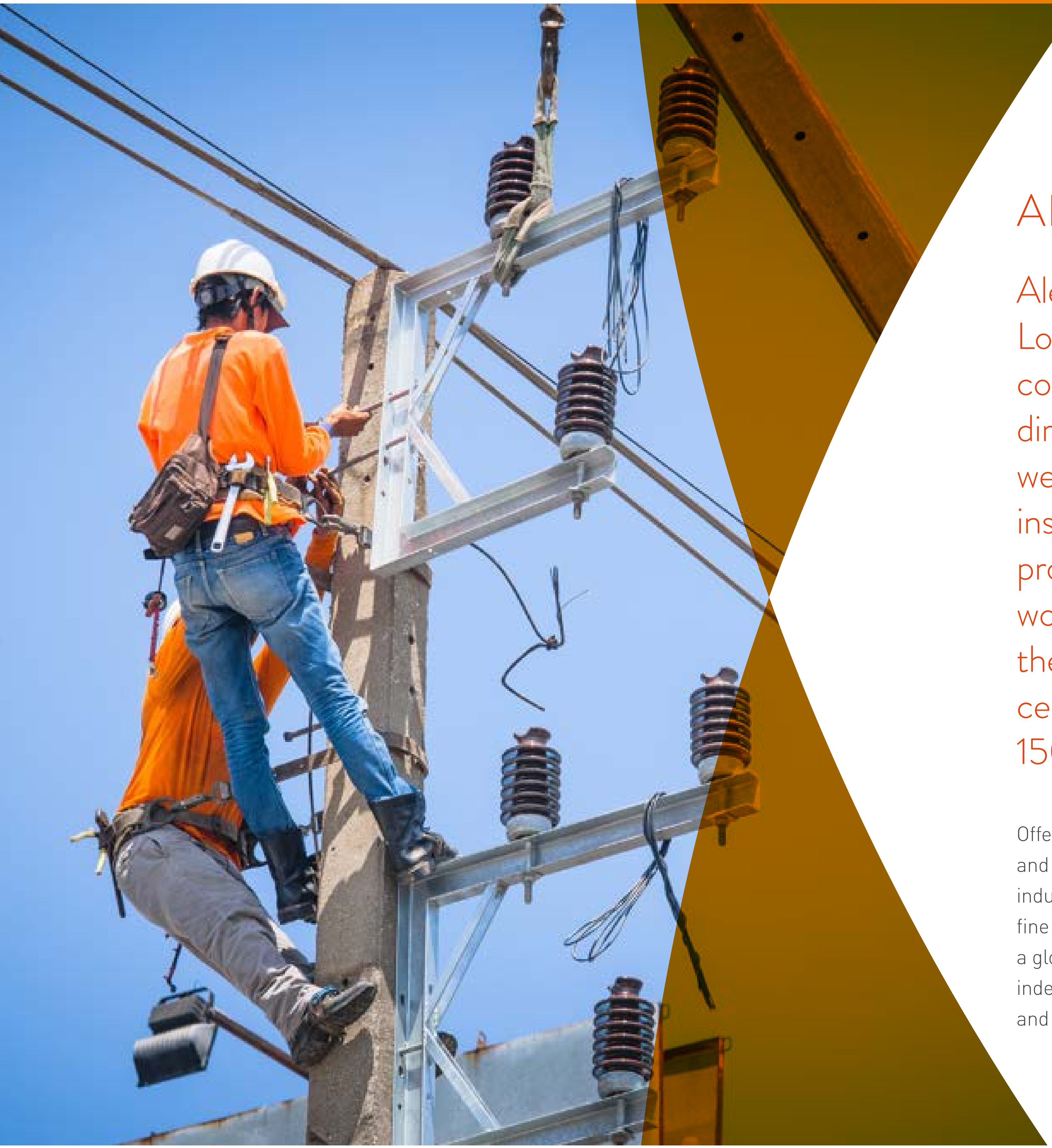
ENERGY, POWER & RENEWABLES INSURANCE MARKET UPDATE

H1 2025



ABOUT ALESCO

Alesco Risk Management is an independent London Market insurance broker and risk consultancy for large and complex risks on a direct and wholesale basis. Founded in 2008, we provide risk management services and insurance solutions that are fundamental for protecting organizations in an ever-changing world. We work closely with underwriters in the London markets, in key global insurance centers, and with local broking partners in 150 countries.

Offering insurance solutions for property, liability, accident and health, contingencies, and more across a diverse range of industries, from energy and construction to marine, aviation and fine art, just to name a few. Combining the strength and reach of a global brand with the service levels and flexibility of a specialist independent broker, Alesco is committed to building confidence and creating certainty in your business.

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INDUSTRY OVERVIEW

INDUSTRY OVERVIEW

2024 ended as one of the most stable years for oil prices in recent history, with prices fluctuating between USD74 and USD90 per barrel. This stability persisted despite significant geopolitical uncertainties, including the wars in Ukraine and Gaza, which were expected to disrupt supply, and concerns about an economic slowdown in China that could impact demand.

As we enter 2025, geopolitical uncertainty and its potential influence on oil and gas prices remain a significant concern. In the United States, potential changes in energy policies may affect domestic oil production, while anticipated supply growth from OPEC+ is expected to exert downward pressure on prices. On the demand side, China's continued transition to renewable energy sources suggests sluggish growth in oil consumption.

Meanwhile, the global clean energy transition continues to gain momentum. China remains the largest producer and consumer of electric vehicles (EVs), batteries, solar panels and wind technology. This rapid progress, alongside efforts to expand exports, has faced opposition in the West, with countries like the US and EU imposing tariffs on some imports, including EVs. To address energy security challenges and meet growing energy demand driven by the transition and emerging technologies such as AI, Western governments are likely to increase investment in domestic clean energy industries.

In the insurance market, conditions across Oil and Gas, Power and Renewables largely reflect a softening trend. Factors contributing to this include 2024 being a below-average loss year, increased capacity from both new and incumbent insurers, and improved treaty conditions. This market update explores these developments and their implications for the energy sector in 2025.

02 UPSTREAM

UPSTREAM

2024 OVERVIEW: STABILITY AND STRATEGIC SHIFTS

Despite headwinds, 2024 was the most stable year for oil prices in 25 years, fluctuating between USD74 and USD90 per barrel. OPEC+'s control of global supply played a significant role in this stability. This consistency in cash flow led to substantial M&A activity in the US, with notable mergers and acquisitions in the Permian Basin and beyond. Asset consolidation and optimization are expected to continue into 2025, with companies such as Shell and Equinor, for instance, agreeing to a 50-50 joint venture for their British infrastructure and North Sea fields.

Geopolitical tensions and supply chain disruptions present challenges for upstream energy clients. However, steady demand growth, particularly from emerging markets, supports higher prices in the medium term. Advances in technology, such as enhanced oil recovery, are reducing costs and extending the life of oil and gas fields. Companies are balancing their portfolios with investments in cleaner energy technologies, impacted by stricter environmental regulations and carbon emission reduction policies. Environmental, social and governance (ESG) considerations are increasing the pressure on companies to adopt sustainable practices and reduce their carbon footprint. Whilst there remains significant investment in upstream projects, there is also a noticeable shift towards greener energy solutions. The complexity of the market throughout these transitions requires effective risk management strategies, and the London insurance market continues to play a key role.

2025 OUTLOOK: INSURANCE MARKET TRENDS

The upstream insurance market is expected to continue to favor buyers in 2025 as the balance between supply and demand shifts in their direction. Excess capacity and benign loss activity contribute to this trend, with brokers anticipating further market softening and double-digit rate reductions for offshore risks, as well as competitive market conditions.

In 2025, Alesco upstream energy brokers will access over 140 markets, leading to a challenging renewal environment. Brokers must secure competitive terms for clients, balancing rate reductions and policy conditions. Demonstrating the most competitive terms that have been achieved will be paramount, as failing to do so would risk losing business to other brokers and jeopardizing our relationship with clients.

Certain subsectors of the upstream market, such as GOM wind and offshore subsea CAR, will experience slower softening of rates. Risks from regions with strong domestic carrier presence will see more downward rating pressure. Overall, brokers face the challenge of managing too many underwriters chasing the same premium, leading to client savings but a potential strain on relationships across the value chain.

TOP 10 LARGEST UPSTREAM ENERGY LOSSES IN 2024

DOL	AREA	COUNTRY	LOCATION	LAND/ OFFSHORE	OP/CAR	CATEGORY 1	CATEGORY 2	CATEGORY 3	CAUSE	PD/ACTUAL US$	BI/ ACTUAL US$	OEE/ACTUAL US$	TOTAL/ ACTUAL US$
05/16/2024	Europe	Denmark	North Sea	Offshore	OP	Platform	Platform	Transformer	Unknown		156,000,000		156,000,000
09/06/2024	Far East	China	South China Sea	Offshore	OP	MOPU	FPSO		Windstorm	151,228,900			151,228,900
04/06/2024	North America	Mexico	Bay of Campeche	Offshore	OP	Platform	Platform	Structure	Fire + explosion/ VCE	150,000,000			150,000,000
01/30/2024	Australasia	Australia	Western Australia	Offshore	CAR	Pipeline	Pipeline		Mechanical failure	120,000,000			120,000,000
02/01/2024	Europe	UK	North Sea	Offshore	OP	Rig	Semi sub	Riser	Unknown	77,500,000	19,500,000		97,000,000
01/18/2024	North America	USA	GOM	Offshore	OP	Well	Well	Drilling equipment	Stuck drill stem	50,000,000			50,000,000
04/25/2024	Africa	Nigeria	Escravos	Offshore	OP	Rig	Jackup	Leg/ SpudCan/ Mat	Misc	50,000,000			50,000,000
09/06/2024	Far East	China	South China Sea	Offshore	OP	MOPU	FPSO		Windstorm	27,170,000	32,000,.00		27,170,000
07/19/2024	North America	Mexico	GOM	Land	CAR	Pipeline	Pipeline		Unknown	21,800,000			21,800,000
04/16/2024	Middle East	Oman	Unknown	Land	OP	Plant	Production facility	Various	Flood	7,980,700	10,440,000		18,420,700

Total 2024 Upstream Losses (40): USD967,681,650
Total Top 10 Losses: USD841,619,600 = 86%
Operational (32): USD808,442,650
Construction (8): USD168,239,000

Losses are incurred actual amounts, as reported, not indexed, sourced from the Willis Towers Watson's energy industry loss database for ground up losses of USD1 million or more at the time of loss. Note that 2024 figures are subject to further development, both in terms of frequency and severity of losses. As of December 10, 2024.

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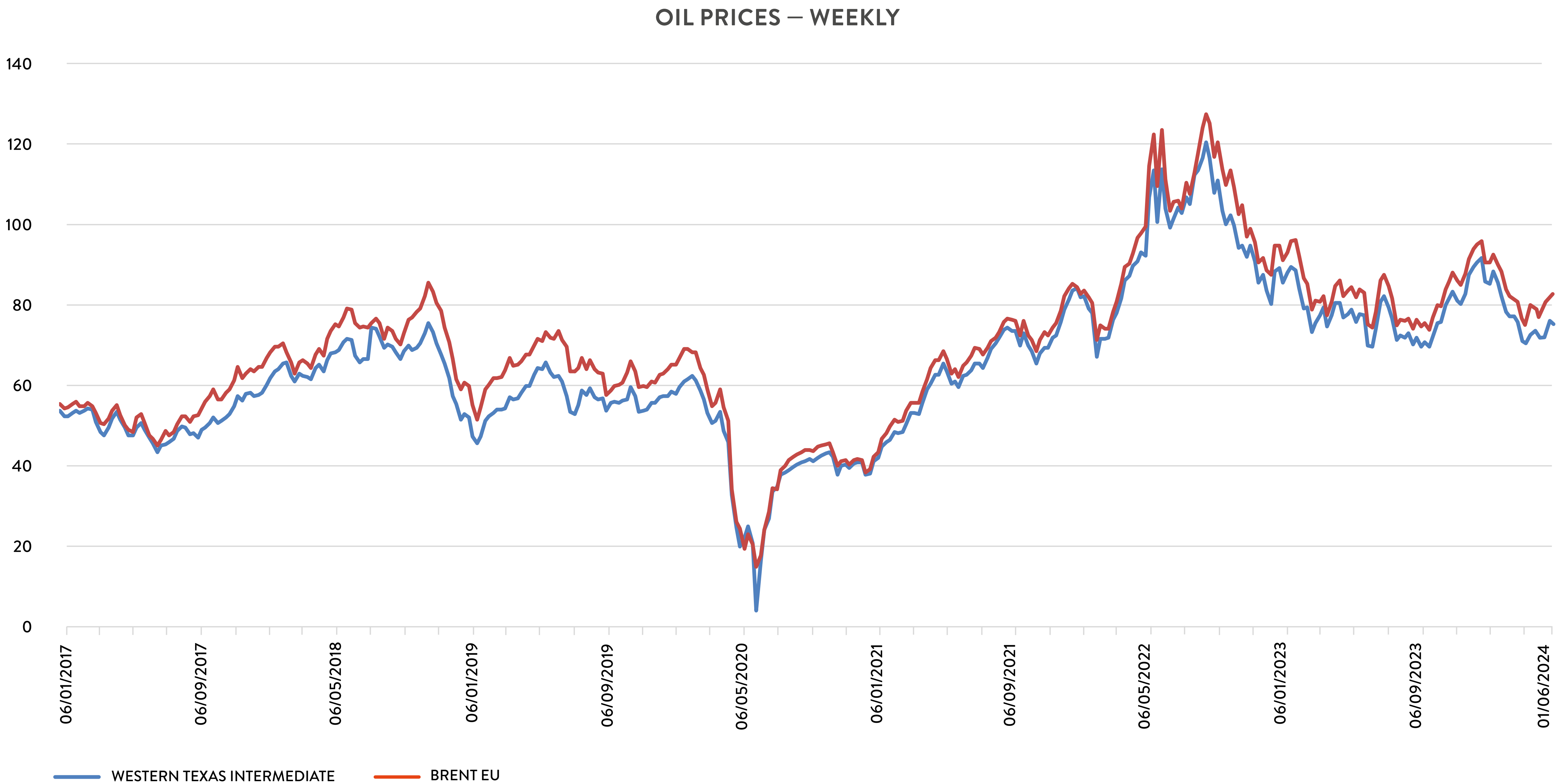
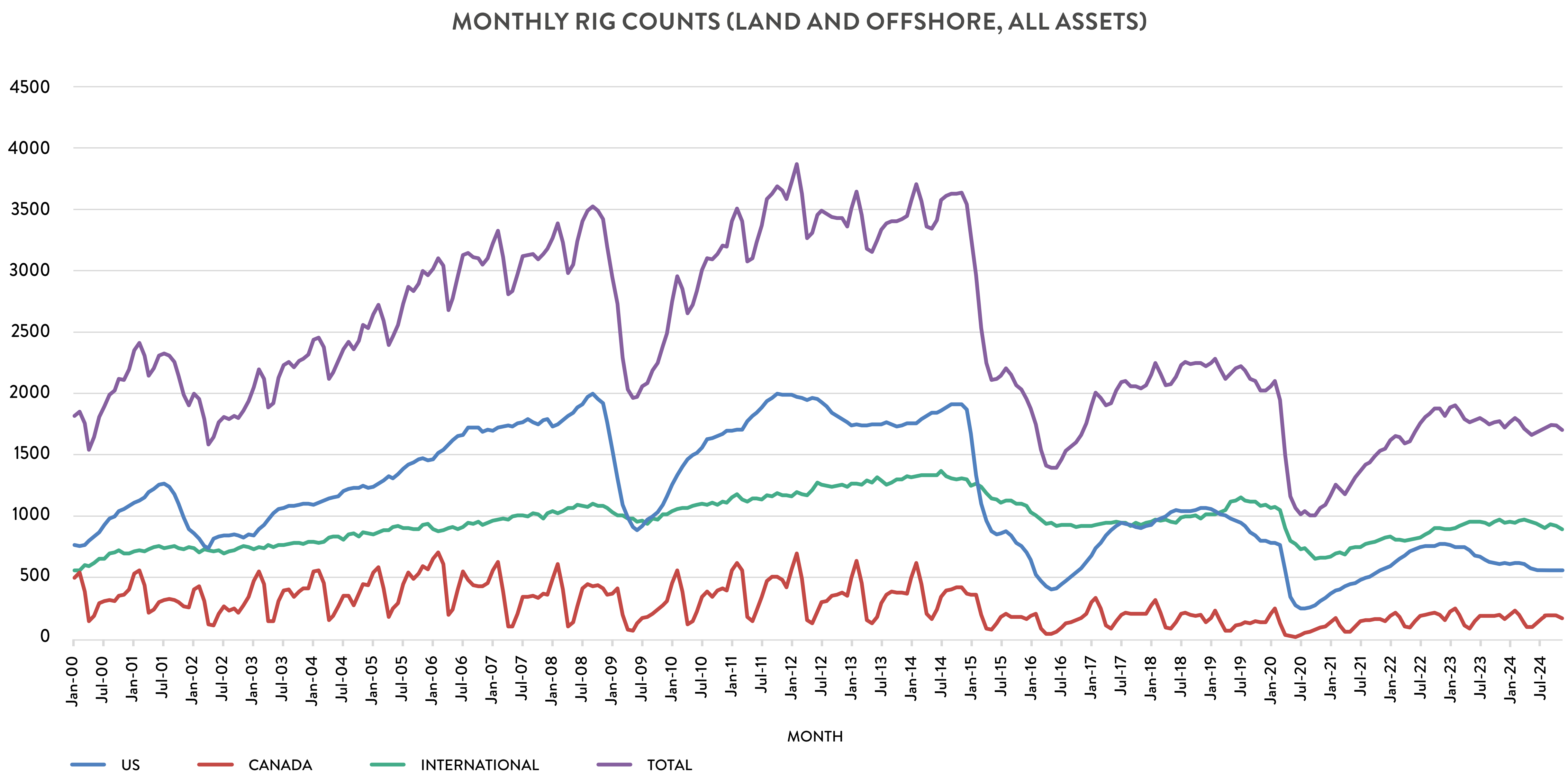
WEEKLY OIL PRICES SINCE JAN. 2017-NOV. 2024



Source: https://fred.stlouisfed.org/tags/series?t=oil

MONTHLY RIG COUNTS SINCE JAN. 2000-NOV. 2024



Source: https://rigcount.bakerhughes.com/intl-rig-count

03
MIDSTREAM

MIDSTREAM

OVERVIEW: STABILITY AND STRATEGIC SHIFTS

From a holistic energy perspective, the global oil and gas industry is poised to experience varying fluctuations in demand and investment depending on geographic locations. In the US, the oil market is expected to maintain a steady trajectory in 2025. The natural gas sector is anticipated to improve with the potential easing of federal tax burdens and regulatory red tape under the new administration. Increased liquefied natural gas (LNG) export capacity will drive demand, supporting gas prices, which will also be influenced by winter weather and inventory levels. Natural gas production, previously curtailed due to low prices, is likely to resume, benefiting midstream operators and those with natural gas infrastructure. The long-term outlook for US natural gas demand growth remains positive, driven by increasing exports and domestic power generation needs.

In Western Europe, environmental pressures continue to hinder investment in oil and gas exploration. Countries are instead investing in gas import infrastructure, such as pipelines and LNG terminals, to secure non-domestic gas supplies from Africa and the GCC countries. Central and Eastern Europe exhibit fewer environmental pressures, with notable gas developments such as the Sakarya Gas Field in Turkey and Europe's Cassiopea Field.

The Middle East remains a hub for major gas producers, with Saudi Aramco and ADNOC increasing gas exports to Europe. Qatar continues to develop rapidly with the development of the North Field located in the Arabian Gulf and the expansion of its LNG fleet, which is rumored to increase to 128 vessels by 2030.

Ongoing geopolitical conflicts, particularly the Russia-Ukraine conflict, continue to impact the global oil and gas market, leading to sanctions and shifting gas supply chains to Norway and the Middle East. However, conflicts in the Middle East also affect global gas prices, with security concerns driving price volatility.

2025 OUTLOOK: INSURANCE MARKET TRENDS

2024 marked a pivotal moment for the midstream energy insurance market, with a shift from a hardening market to softening conditions by year-end. Initially, accounts saw modest rate increases between 2.5% and 10%, but these increases tapered off as the year progressed.

Profitable performance and market overcapacity in the upstream sector prompted underwriters to seek premium income from midstream businesses. This introduced new capacity and downward pressure on midstream rates. Additionally, benign loss activity in recent years contributed to this trend, with the steady decline in the Canadian wildfire loss reserves and the large midstream losses suffered in 2022 by Oneok and Freeport LNG becoming distant memories.

As upstream underwriters continue to pursue midstream business, brokers will be navigating an increasingly competitive market environment, and the resulting softening rating cycle. It is anticipated that clean, straightforward midstream renewals will benefit from rate reductions of 5% to 10%, with some pressure on policy conditions, particularly coverage extensions. The rating environment is certainly in favor of buyers.

04 DOWNSTREAM

DOWNSTREAM

In 2024, the Downstream market experienced the anticipated softening, although some losses from 2023 continued to worsen. The pace of this softening gained momentum throughout the year, with regional variations observed in market conditions.

KEY FACTORS IN MARKET SOFTENING

Several key factors contributed to the softening trend. The year saw benign loss activity, with low operational and natural catastrophe losses, which positively impacted underwriter profitability. Despite an active natural catastrophe season, the insurable losses were insufficient to significantly affect the Downstream market. By late December 2024, operational Downstream energy losses totaled approximately USD600 million, with the Greek Refinery fire in September potentially adding over USD500 million to the total. Overall, the global loss amount is expected to be one of the lowest in recent history. With an annual global premium for Downstream projected at USD4.25 billion, 2024 is shaping up to be one of the most profitable years in recent memory.

Market capacity remained stable throughout the year, with no significant withdrawals from insurers. Canopius, a notable new entrant to the Downstream market in recent years, is expected to increase its capacity in 2025, adding more competition. Furthermore, other insurers are also anticipated to expand their working capacity in the coming year, putting additional pressure on rates. As insurers strive to maintain market share and premium income, high-quality accounts are likely to experience greater demand and oversubscription, allowing brokers to negotiate improved terms and conditions.

Global capacity dynamics are also set to play a significant role in shaping market conditions in 2025. International hubs, such as the Middle East and Far East, are expected to experience considerable rate reductions and broader terms. Meanwhile, London and European underwriters will need to adapt to these changes to maintain their share of global risks.

Despite these softening conditions, lead markets are expected to maintain underwriting discipline, particularly when it comes to ensuring accurate value declarations.

Over the past year, Business Interruption (BI) losses have consistently outpaced Property Damage (PD) losses, highlighting the importance of precise BI value declarations. The LMA 5515 clause has become standard practice, helping insurers minimize uncertainty around potential BI claims. Regular adjustments to BI values will enable insurers to assess risk exposure more accurately and apply appropriate premiums. Additionally, insureds must ensure accurate PD valuations by using independent valuation experts to avoid average clauses being applied to policies.

Environmental, Social and Governance (ESG) issues remain a critical consideration, especially in the European market. These concerns could affect capacity deployment, with some major downstream insurers potentially restricting capacity in certain sub-sectors, despite the overall availability of abundant capacity.

This evolving landscape underscores the importance of accurate valuations and careful risk management as insurers navigate the shifting dynamics of the Downstream market in 2025.

TOP 10 LARGEST DOWNSTREAM ENERGY LOSSES IN 2024

DOL	AREA	COUNTRY	LOCATION	LAND/ OFFSHORE	OP/ CAR	CATEGORY 1	CATEGORY 2	CATEGORY 3	CAUSE	PD/ACTUAL US$	BI/ACTUAL US$	TOTAL/ ACTUAL US$
09/29/2024	North America	USA	Texas	Land	OP	Chemical	Inorganic Chemicals	Reformer	Fire + explosion/VCE	66.000.000	133,000,000	199,000,000
03/19/2024	North America	USA	Louisiana	Land	Maint	Petrochemical	Olefins	Heat exchanger	Fire no explosion	45,000,000	140,700,000	185,700,000
05/06/2024	North America	USA	Oklahoma	Land	OP	Petrochemical	Olefins	Various	Windstorm	41,000,000	50,000,000	91,000,000
06/02/2024	Europe	Germany	Bayern	Land	OP	Chemical	Cable (elec/ control)		Flood	15,000,000	35,000,000	50,000,000
01/21/2024	North America	Canada	British Columbia	Land	Su/d	Refinery	Secondary process	Cracker	Fire + explosion/VCE	8,360,000	32,700,000	41,060,000
05/09/2024	Far East	Thailand	Rayong	Land	OP	Tank farm/ terminal	Tank farm/ terminal	Storage tank	Fire no explosion	30,000,000	5,000,000	35,000,000
03/05/2024	Caribbean	Jamaica	Kingston	Land	OP	Refinery	Primary process		Fire no explosion	3,000,000	30,000,000	33,000,000
06/01/2024	South America	Argentina	Buenos Aires	Land	OP	Pipeline	Pipeline		Ruptured pipeline	26,000,000		26,000,000
02/01/2024	North America	USA	Louisiana	Land	Su/d	Chemical	Inorganic chemicals	Reformer	Unknown	22,000,000		22,000,000
04/28/2024	North America	USA	Oklahoma	Land	OP	Refinery	Secondary process	Hydrotreater	Fire no explosion	17,000,000		17,000,000

Total 2024 Downstream Losses (37): USD878,631,325
Total Top 10 Losses: USD682,760,000 = 78%
Operational (28): USD579,271,325
Construction (9): USD299,360,000

Losses are incurred actual amounts, as reported, not indexed, sourced from the Willis Towers Watson's energy industry loss database for ground-up losses of USD1 million or more at the time of loss. Note that 2024 figures are subject to further development, both in terms of frequency and severity of losses. As of December 10, 2024.

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05
POWER

POWER

Following a relatively benign wind season and operational losses being lower compared to previous years, conditions for buyers have improved throughout 2024. The two most significant US hurricanes of the season (Milton and Helene) caused relatively little disruption to the insurance market. In general, we are seeing improvements in the rating environment and a shift away from the hard market terms and conditions that prevailed for the past few years. Early indications of treaty renewals suggest that Natural Catastrophe pricing has dropped more than anticipated off the back of excellent results in 2023 and 2024, and this will further strengthen the ability to drive competitive pricing.

Several significant market movements in London have introduced new teams, leading to increased capacity. For example, Volt and Tokio Marine HCC are strategically positioning themselves for more prominent leadership roles in 2025. This development has provided numerous leadership options across the London market, a scenario we have not observed in quite a few years, which is excellent news for insureds.

The Direct & Facultative (D&F) property market is softening at a quicker pace than the Power Generation market, resulting in heightened competition. Consequently, there has been a noticeable shift in appetite as these markets seek to recover lost D&F income by underwriting more power generation businesses. This may be influenced in the US by the recent California wildfires, although it is still too early to assess the full extent of the impact.

Capacity for coal-fired risks remains stable, albeit under intense scrutiny from underwriters due to aging assets and the challenges posed by Environmental, Social and Governance (ESG) factors. The pressure on Business Interruption (BI) volatility and values-related clauses is beginning to ease, although these themes still require attention to maximize current market conditions.

Accurate value reporting and managing supply chain issues continue to be critical aspects that will help our clients benefit optimally from this softening market.

TOP 10 LARGEST POWER ENERGY LOSSES IN 2024

DOL	AREA	COUNTRY	LOCATION	LAND/ OFFSHORE	OP/ CAR	CATEGORY 1	CATEGORY 2	CATEGORY 3	CAUSE	PD/ACTUAL US$	BI/ ACTUAL US$	TOTAL/ ACTUAL US$
06/28/2024	North America	USA	New Jersey	Land	OP	Power Thermal	Gas	Generator/power	Electrical Failure/ Breakdown	20,500,000	15,8000,000	36,300,000
02/06/2024	Middle East	Saudi Arabia	Eastern Province	Land	OP	Power Thermal	Gas	Turbine Steam	Unknown	9,000,000.00	24,000,000	33,000,000
04/16/2024	Middle East	UAE	Arabian Gulf	Offshore	CAR	Power T&D	T&D	Cable (elec/ control)	Heavy weather	32,000,000		32,500,000
03/26/2024	Middle East	Kuwait	Kuwait	Land	Maint	Power Thermal	Gas	Turbine Gas	Unknown	18,000,000	13,300,000	31,300,000
01/29/2024	Europe	UK	Northumberland	Land	OP	Power Renewable	Biomass	Generator	Mechanical failure	10,000,000	20,000,000	30,000,000
04/16/2024	Middle East	UAE	Dubai	Land	OP	Power Renewable	Solar	Various	Windstorm	18,250,000	9,750,000	28,000,000
04/07/2024	Europe	Norway	Telemark County	Land	OP	Power Renewable	Hydro	Generator/power	Electrical Failure/ Breakdown	2,524,000	16,887,000	19,411,600
07/20/2024	Europe	Ireland	Co. Antrim	Land	OP	Power Thermal	Gas	Turbine Gas	Mechanical failure	7,000,000	7,000,000	14,000,000
10/08/2024	Middle East	Israel	Ashdod	Land	T&C	Power Thermal	Gas	Turbine Gas	Unknown	1,320,000	12,100,000	13,420,000
01/30/2024	Europe	UK	Irish Sea	Offshore	OP	Power Renewable	Wind	Turbine	Unknown	8,850,000		8,850,00

Total 2024 Power Losses (35): USD341,975,800
Total Top 10 Losses: USD300,213,150 = 88%
Operational (23): USD236,745,950
Construction (12): USD105,229,850

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06
RENEWABLES

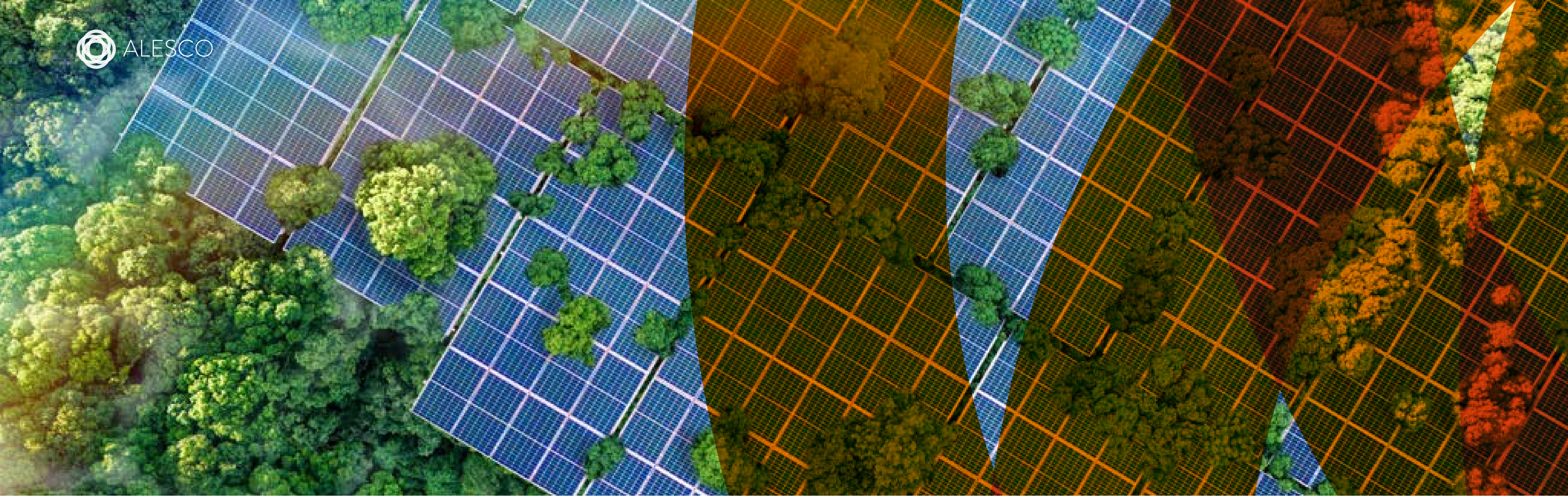
RENEWABLES

The rating environment is expected to see reductions between 5% and 15% for clean-to-fair loss ratio accounts. This trend of rate reductions, which began in 2024, is anticipated to continue through 2025 due to the influx of new capacity from companies such as Volt, Novagen, Hartford, Beazley and QBE, as well as an expanding base of follow capacity with a growing appetite.

Contributing to this trend are the improved underwriting results expected in 2024, compared to many prior years. This positive outcome for insurers comes despite significant Natural Catastrophe (NatCat) claims incurred early in 2024. Had the claims trend increased, the market would have resisted such substantial rate decreases in 2024, which sometimes reached 15%-25%.

In our H2 2024 market update, the forecast for January 2025 anticipated the launch of NatCat software upgrades (Severe Convective Storm models). However, one major software provider has postponed their SCS model launch, and delays have been reported from other providers. Several competing software providers, some supported by Lloyds Lab, are focusing on multi- and single-peril models. The delays will ensure the optimization of ever-evolving source data and accurate assessment of mitigating factors in the models across occupancies such as wind, solar and Battery Energy Storage Systems (BESS).

As renewable energy projects continue through development into construction and operations in regions currently underserved by NatCat modeling, it is important for clients to engage brokers who have the experience and ability to articulate real-life scenarios to insurers. The Alesco loss modeling team continues to add significant value to our clients by running reports on prospective acquisition/development sites and supporting our brokers with NatCat exposure estimates. Insurers have eased their perspective on BESS fire risk, based on the positive low claims frequency relative to its installed capacity. Site layouts and ever-improving technology have been key to this success.



On the wind side, larger turbines mentioned in the H2 2024 update have not encountered major setbacks. However, major wind OEMs have faced various challenges, including shifts in territory appetites, widespread defects and workforce redundancies. Despite these challenges, the Chinese OEMs continue to make a compelling impression in the highly competitive and evolving sector outside of China.

In offshore renewables, we are witnessing active market movement by insurers who are establishing new operations or expanding their current teams. This has led to an increase in capacity entering the market, fostering positive competition for both operational and construction opportunities.

Following some large market placements in 2024, it is estimated that there is approximately USD2.5 billion to USD3 billion of capacity available on an estimated maximum loss (EML) basis. However, any limit or sub-limit is naturally tempered by project location, especially where there are notable NatCat exposures.

The rating environment for both operational and construction businesses is expected to remain favorable, with reductions available for operational accounts that have clean to low loss ratios. As seen with some accounts placed during 2024, long-term agreements (LTA) have made a return and are expected to remain available going into the 2025 renewals.

In terms of claims, inter-array and export cables remained prevalent during both the construction all risks (CAR) and operational all risks (OAR) phases in 2024. The market also experienced its usual share of generator and gearbox-related claims, along with an increase in the number of high-value vessel allisions compared to previous years.

While there is currently only around 400 megawatts of Floating Offshore Wind (FOW) capacity generating power, based on demonstrator and small commercial-scale projects, there is a growing focus on the potential for growth in this area from both developers and the insurance community. The Lloyd's Market Association's Joint Natural Resources Committee (JNRC) issued 'Risk Engineering Guidelines for the Insurance of Floating Offshore Wind Farms' in the final quarter of 2024, which developers in this space should be aware of. Floating offshore wind remains an exciting area for deeper developments.

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TOP 10 LARGEST POWER — RENEWABLE ENERGY LOSSES IN 2024

DOL	AREA	COUNTRY	LOCATION	LAND/ OFFSHORE	OP/ CAR	CATEGORY 1	CATEGORY 2	CATEGORY 3	CAUSE	PD/ACTUAL US$	BI/ACTUAL US$	TOTAL/ ACTUAL US$
01/29/2024	Europe	UK	Northumberland	Land	OP	Power Renewable	Biomass	Generator	Mechanical failure	10,000,000	20,000,000	30,000,000
04/16/2024	Middle East	UAE	Dubai	Land	OP	Power Renewable	Solar	Various	Windstorm	18,250,000	9,750,000	28,000,000
04/07/2024	Europe	Norway	Telemark County	Land	OP	Power Renewable	Hydro	Generator/ power	Electrical failure/ Breakdown	2,524,600	16,887,000	19,411,600
01/30/2024	Europe	UK	Irish Sea	Offshore	OP	Power Renewable	Wind	Turbine	Unknown	8,850,000		8,850,000
01/17/2024	North America	Canada	Alberta	Land	OP	Power Renewable	Geothermal		Misc	4,000,000	3,150,000	7,150,000
01/10/2024	Europe	Netherlands	North Sea	Offshore	CAR	Power Renewable	Wind	Generator/ power	Unknown	7,100,000		7,100,000
02/27/2024	Europe	UK	Scotland	Land	OP	Power Renewable	Wind	Turbine	Fire no explosion	3,550,960	2,828,000	6,378,960
01/22/2024	South America	Chile	Bia Bia Region	Land	OP	Power Renewable	Wind	Turbine	Collapse	4,530,000	1,402,590	5,932,590
06/08/2024	North America	USA	Rhode Island	Land	OP	Power Renewable	Wind	Generator	Unknown	5,000,000		5,000,000
02/24/2024	Far East	Taiwan	Taiwan Strait	Offshore	CAR	Power Renewable	Wind	Turbine	Mechanical failure	4,800,000		4,800,000

Total 2024 Renewable Losses (19): USD138,830,8000
Total Top 10 Losses: USD122,623,150 = 88%
Operational (14): USD120,875,950
Construction (5): USD17,954,850

Losses are incurred actual amounts, as reported, not indexed, sourced from the Willis Towers Watson's energy industry loss database for ground-up losses of USD1 million or more at the time of loss. Note that 2024 figures are subject to further development, both in terms of frequency and severity of losses. As of December 10, 2024.

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07 CASUALTY

CASUALTY

INTERNATIONAL CASUALTY

In the latter half of 2024, the pace of renewal price increases has notably slowed, transitioning from mid-to-low single-digit rises in the first half of the year to a flat trend by year-end. Early headlines from the January 1, 2025, reinsurance treaty renewals suggest increased pressure on front-end insurers as we head into Q1 renewals.

International accounts with US exposures are now approached with heightened caution due to the rising frequency and severity of US-originated claims. Historically, international markets have relied on facultative reinsurance (Fac) to mitigate US exposures. However, 2024 witnessed significant hardening in the Fac market, characterized by reduced capacity and substantially higher rates, rendering this 'buy out' method unfeasible.

Other constrained capacity areas include bushfire and Canadian oil sands, where the market favors insureds with solid market relationships and a robust sustainability/ESG philosophy. The market has seen increased opportunities in offshore construction and decommissioning business. Adequate capacity is available for insureds who can demonstrate proper risk management practices through the employment of competent contractors and marine warranty surveyors. Given the complexity of these projects, insurers scrutinize these aspects rigorously before offering coverage.

US ENERGY LIABILITY

Domestic insurers continue to retreat from the umbrella space, leading to an influx of inquiries to London, including from those who have not previously utilized overseas markets.

The auto insurance sector remains challenging. Some view this exposure as relatively short-tail, with claims being settled within 12 months of occurrence. This rapid payout cycle is prompting insurers to reassess their cash management strategies. Telematics and in-cab cameras are now deemed essential technologies, and even modestly sized fleets are being scrutinized for their auto risk management practices. For larger fleets, domestic markets are starting to aggregate auto limits, presenting new opportunities to London where a creative market exists for structured aggregated deals. Both insurers and insureds are keen to avoid courtroom battles, preferring settlements to mitigate the risk of punitive damage awards. This shift has led to significant settlements being reached at the courthouse steps, further driving up claim values.

New start-up capacity has alleviated pressure, providing much-needed flexibility in the market and filling gaps in programs created by incumbent capacity fluctuations. The lead USD25 million umbrella capacity remains challenged, but London has benefited from a substantial increase in submissions and bind orders. High excess capacity is relatively stable, contingent on the exposures and subclasses within the energy, power and renewables sectors. Wildfire-exposed accounts remain particularly challenging.

08
EVEREN RECENT DEVELOPMENTS AND MARKET INTELLIGENCE

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Alesco has been actively involved in observing Everen's developments for the past 30 years and provides consultancy advice, specifically regarding the Rating and Premium Plan and capital modeling.

Key financial highlights as of September 30, 2024 include:

- Total shareholders' equity: USD4.001 billion (compared to USD3.595 billion on December 31, 2023)
- Written premiums: USD492 million (September 30, 2024); USD543 million (September 30, 2023)
- Investment income for the first three quarters of 2024: USD422 million
- Dividend paid: USD350 million in September 2024

Everen increased its coverage limit from USD400 million to USD450 million as of January 1, 2022, with the aggregation limit also rising from USD1.2 billion to USD1.35 billion.

The final loss positions for 2021-2023 led to flat premiums in 2023 and a stable TWP position for most members. However, it is anticipated that there will be a cash premium increase in 2025, as the very low pool loss year of 2019 will no longer be included in the rolling five-year formula.

Overall membership now stands at 72

New members over the past five years were:

- **2020:** United Refining, Pembina Pipelines, Ecopetrol and Federated Co-operative
- **2021:** North West Redwater Partnership, Formosa Plastics Corporation, Edison International and Los Angeles Department of Water and Power
    - During this time, Husky was acquired by Cenovus
- **2022:** CEZ
    - Billiton Americas Inc. departed
- **2023:** Xcel Energy Inc., Inpex and Ergon Inc
- **2024:** National Grid, Meridian, Contact Energy and South Bow were welcomed
    - National Grid oversees the electricity distribution network for the Midlands, South West and Wales, ensuring power delivery to millions of homes and businesses in the UK
    - Meridian Energy, a key player in New Zealand's energy landscape, focuses on renewable energy generation with assets in hydro, wind and solar, making them a leader in sustainability
    - Contact Energy has developed a flexible and largely renewable portfolio of electricity generation assets. They own and operate 11 power stations in New Zealand, producing 80%-85% of their electricity from renewable hydro and geothermal stations
    - South Bow Corporation emerged as a spin-off of TC Energy Liquids Pipeline Business in June 2024

The Everen pool is continuing to expand, with a focus on adding more international (non-US) members and diversifying into the lower-risk Power and Renewable sectors.This strategy aims to benefit long-standing members by increasing the pool premium while reducing risk and volatility.

Everen is approaching renewables differently by introducing several new business sectors, bringing the total to sixteen. They are attracting new members as environmental, social and governance (ESG) concerns affect commercial market capacity in certain sectors, such as oil sands, fracking, coal power and coal mining. This trend is expected to continue as Lloyds and other major insurers implement ESG underwriting criteria.

CURRENT EVEREN MEMBERS: 72

AS OF DECEMBER 2024

Asia (2)

CNOOC Limited
INPEX Corporation

Australasia (6)

Beach Energy Limited
Santos Ltd.
Origin Energy Limited
Woodside Energy Group Ltd.
Meridian
Contact Energy

Canada (12)

Bruce Power L.P.
Canadian Natural Resources Ltd.
Cenovus Energy Inc.
Federated Co-operatives Limited
Inter Pipeline Ltd.
North West Redwater Partnership
NOVA Chemicals Corporation
Paramount Resources Ltd.
Pembina Pipeline Corporation
South Bow
Suncor Energy Inc.
TransCanada Pipelines Limited

Europe (16)

BASF SE
CEPSA
CEZ. a.s.
Electricité de France S.A. (EDF)
Eni S.p.A.
Equinor ASA
Galp Energia SGPS S.A.
LyondellBasell Industries N.V.
National Grid
MOL Hungarian Oil and Gas Public Limited Company
OMV Aktiengesellschaft
Orsted A/S
Repsol S.A.
Royal Vopak N.V
TotalEnergies SE
Yara International ASA

Latin America (3)

Braksem S.A.
Ecopetrol S.A.
Puerto Rico Electric Power Authority (PREPA)

United States (33)

APA Corporation
Arena Energy LLC
Buckeye Partners L.P.
Chevron Phillips Chemical Company LLC
Chevron Corporation
CITGO Petroleum Corporation
Colonial Enterprises Inc.
ConocoPhillips
Delek US Holdings Inc.
Drummond Company Inc.
DTE Energy Company
Edison International
Energy Transfer LP
Ergon Inc.
Formosa Plastics Corporation USA
Hess Corporation
HF Sinclair
LOOP LLC
Los Angeles Department of Water & Power
Marathon Oil Company

United States (continued)

Marathon Petroleum Corporation
Motiva Enterprises LLC
Murphy Oil Corporation
Occidental Petroleum Corporation
Phillips 66 Company
Plains All American Pipeline LP
Portland General Electric Company
Sempra
The Williams Companies Inc.
United Refining Company
Valero Energy Corporation
Westlake Chemical Corporation
Xcel Energy Inc

Source: https://www.everen.bm/current-members/

CONCLUSION

As we move into 2025, the Energy, Power and Renewables insurance market is characterized by a favorable environment for buyers, driven by a combination of increased capacity, competitive pressures and a trend towards market softening. Across the board, from upstream to renewables, insurers are offering significant rate reductions, particularly for well-engineered and loss-free risks. This trend is supported by a stable geopolitical landscape, advancements in technology and a global shift towards cleaner energy solutions.

The insurance market is responding to these dynamics by loosening terms and expanding their underwriting appetites to include risks that were previously considered outside their scope. This is particularly evident in sectors like LNG and midstream, where ample capacity and intense competition are expected to persist.

As insurers navigate these evolving conditions, it is crucial for buyers to maintain accurate valuations and robust risk management practices to fully capitalize on the opportunities presented by the current market landscape. The emphasis on Environmental, Social and Governance (ESG) considerations continues to shape underwriting criteria, influencing capacity deployment and risk assessment.

Overall, 2025 promises to be a year of opportunity for both insurers and insureds, with the potential for strategic partnerships and innovative solutions that align with the ongoing global energy transition. Stakeholders are encouraged to engage with experienced brokers to navigate this dynamic market effectively and to ensure that their insurance strategies are aligned with their broader business objectives.

ALESCO

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