ENERGY, POWER & RENEWABLES INSURANCE MARKET UPDATE

H2 2024

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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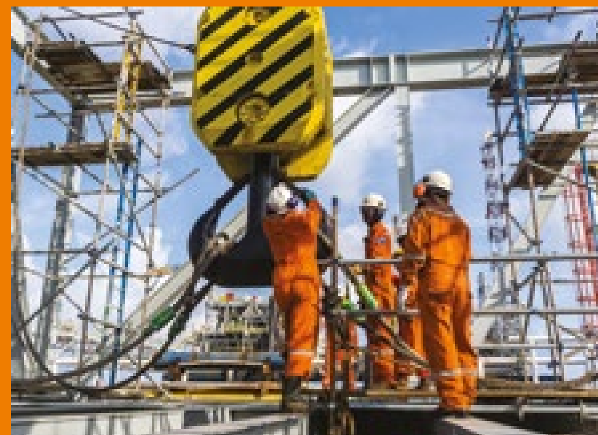
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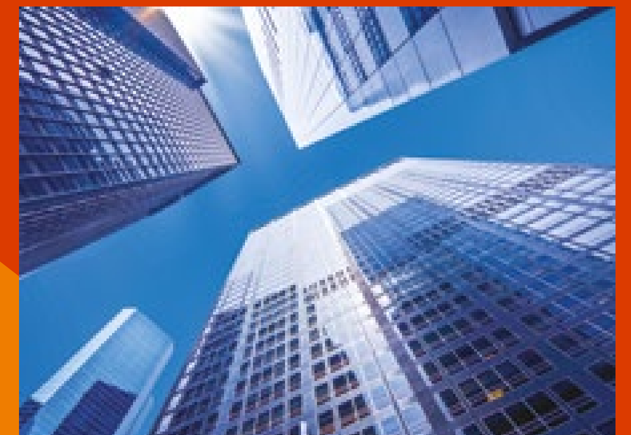
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01 INDUSTRY OVERVIEW

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INDUSTRY OVERVIEW

- Oil prices remain at around USD85 per barrel (Brent) as of June 2024, with most analysts predicting a price range of USD75–USD95 per barrel in 2024. The EIA is forecasting a slowdown in global oil demand for the second half of 2024, due to a marked deceleration in economic development in the key demand center of China. Q2 deliveries of gasoil and naptha were higher than expected in Q2, however, European manufacturing is showing signs of recovery.

- Global oil supply continues to trend slightly higher in Q2/Q3 2024, led by the United States, Canada, Guyana, and Brazil. OPEC is expected to continue to apply voluntary supply reductions for the next 12 months in an effort to keep oil prices above USD80 per barrel.

- Global refinery throughputs are forecast to rise by about 1 million barrels per day in 2024 to 83.4 million barrels per day, with a further 600,000 barrels per day in 2025. Refining margins have remained robust in H1 2024, supported by operational disruptions, intense maintenance seasons, and some supply disruptions in the Red Sea.

- Finding replacement components is still problematic due to inflationary pressures. We have seen the direct impact of this on recent claims, specifically business interruption, which in turn has seen underwriters focus on the adequacy of sums insured and supply chain risks and push for tighter parameters within BI volatility clauses.

- Environmental, social and governance (ESG) continues to be a hot topic, particularly with major European insurers, but there remains no market consensus.

- Alternative capacity — the Everen mutual continues to attract new members (15 since 2020), with evidence of diversification outside of their traditional membership/client base and into the power and renewable energy sectors. Parametric capacity is also starting to emerge as an option for buyers with challenging natural catastrophe exposure (although few deals have still actually been bound by corporate buyers).

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WEEKLY OIL PRICES SINCE JAN 2017–JUN 2024

140
120
100
80
60
40
20
0

01/06/2017 09/06/2017 05/06/2018 01/06/2019 09/06/2019 05/06/2020 01/06/2021 09/06/2021 05/06/2022 01/06/2023 09/06/2023 03/06/2024

WESTERN TEXAS INTERMEDIATE BRENT EU

Source: "FRED Economic Data, St. Louis FED-Oil." *Federal Reserve bank of St. Louis.*

MONTHLY RIG COUNTS SINCE JAN 2000–JUN 2024

LAND AND OFFSHORE, ALL ASSETS

4500
4000
3500
3000
2500
2000
1500
1000
500
0

Jan-00 Jul-00 Jan-01 Jul-01 Jan-02 Jul-02 Jan-03 Jul-03 Jan-04 Jul-04 Jan-05 Jul-05 Jan-06 Jul-06 Jan-07 Jul-07 Jan-08 Jul-08 Jan-09 Jul-09 Jan-10 Jul-10 Jan-11 Jul-11 Jan-12 Jul-12 Jan-13 Jul-13 Jan-14 Jul-14 Jan-15 Jul-15 Jan-16 Jul-16 Jan-17 Jul-17 Jan-18 Jul-18 Jan-19 Jul-19 Jan-20 Jul-20 Jan-21 Jul-21 Jan-22 Jul-22 Jan-23 Jul-23 Jan-24

MONTH

US CANADA INTERNATIONAL TOTAL

Source: "Worldwide Rig Count." *Baker Hughes*.

02 UPSTREAM

UPSTREAM

As we enter the second half of 2024, the upstream insurance market continues to soften, with most subsectors of upstream energy now seeing improving terms on their insurance renewals. At the beginning of 2024, we predicted we would see the market tipping in the buyer's favor, and this has proven to be the case. There was a sense as we closed out the 2023 year that we would see a renewed appetite for underwriters looking to increase their market share and deploy capacity in the upstream class, which has also proven to be the case. The theoretical market capacity is now touching USD10 billion, which is at an all-time high, and the amount of true capacity risks is now limited to a handful of buyers. There are pockets of the upstream market that continue to be a challenge; however, most of the well-known and popular risks that have renewed in the first half of 2024 would have experienced improved conditions. Single-digit rate decreases for offshore exposures have become the norm, with examples of significant reductions being made available to those accounts willing to compete for their leadership. The onshore section of the market has held a rating of flat, but as we head into the second half of this year, we also see this softening. The lack of loss activity and continued excess capacity are creating a buyers' market for the rest of the year.

Actuarial observations of the upstream loss record and major loss frequency suggest that, in the past ten years, the industry has become safer due to a renewed emphasis on safety and the additional worries that oil and gas companies have about the reputational risk of an incident that would make their operations public. The true cost of a fire on a platform or an oil spill is not about insurance but more about the companies being able to continue to operate or raise finance going forward. The industry has never been more focused on safety and any reputational damage focused on safety and reputation preservation, and this has in turn meant that upstream underwriters continue to try to deploy capacity into the sector, which continues to apply pressure on rating.

ESG continues to be a concern for investors and insurers, but we haven't seen a withdrawal of capacity as a result. The market has become much better at talking about ESG and the insurer's role in transition, emerging markets, and technology, among other things. Greenfield exploration will need to have an excellent story on ESG, especially with European insurers, who have a heavier focus on the subject. Unlike their US, Canadian, and Asian counterparts, who place a greater emphasis on energy security and the importance of oil and gas in geopolitics.

Commodity prices have remained stable for the last 18 months, at a price where the market clients are profitable but where capital discipline remains. This is good for insurers as Capex will go to safety; however, we do not see companies rushing to produce through the drill bit, which is a dynamic that can be seen in very high commodity price environments. We are seeing a decrease in the relative cost of risk transfer to insurers' balance sheets, as inflationary pressure begins to moderate.

Government policies and economic conditions remain unpredictable, but in the current environment, the client base for the upstream market is proceeding with caution but is profitable; this creates an attractive market for insurers as they know that safety capex budgets will be healthy and any capex going back into the drill bit will be well planned and executed. High oil price environments have historically resulted in more loss activity as clients have rushed to bring production online, but what we are seeing now is oil and gas sector leadership commitment to safety and performance, hazard identification, risk management, and reporting occurrences of near misses to prevent future incidents.

Due to all of the aforementioned reasons, the market is still active and steady from the standpoint of the customer and the insurer, but most purchasers are experiencing overcapacity, which presents difficulties for brokers and underwriters. For the remainder of 2024, we believe that will remain the case, barring a significant loss in the upstream sector. As we enter a hurricane season that is predicted to be active in the Gulf of Mexico, it is always challenging to advise clients on what market conditions to expect for the remainder of the year.

However, all insurers have budgets to fill and their fixed costs remain the same, and as rates start to cool and they look to replace missing revenue with a similar number of buyers, it could create a snowball effect in that leaders will have to offer bigger reductions to maintain their position. Well-regarded accounts should expect to see meaningful rate reductions for the remainder of 2024, with all bar a handful of risks seeing available capacity far exceed the limits being purchased.

TOP 10 LARGEST UPSTREAM ENERGY LOSSES IN 2023

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$
July 7 2023	North America	Mexico	Bay of Campeche	Offshore	OP	Platform	Platform	Structure	Fire + explosion/ VCE	725,000,000.00			725,000,000.00
Jan 19 2023	North America	USA	Louisiana	Land	OP	Well	Well		Blowout no fire			307,000,000.00	307,000,000.00
June 2 2023	South America	Brazil	Rio de Janeiro	Offshore	OP	Vessel	Vessel		Fire no explosion	63,900,000.00	24,750,000.00		88,650,000.00
Mar 13 2023	Far East	Thailand	Songkhla Province	Offshore	OP	MOPU	FSO	Engine room	Unknown	55,625,000.00			55,625,000.00
Aug 15 2023	Africa	Nigeria	Niger Delta	Offshore	OP	Rig	Inland barge		Capsize	55,000,000.00			55,000,000.00
Apr 1 2023	Australasia	Australia	Victoria	Offshore	CAR	Platform	Pipeline	Flowline	Unknown	54,890,000.00			54,890,000.00
May 20 2023	Europe	UK	North Sea	Offshore	OP	MOPU	FPSO	Transformer	Unknown		43,000,000.00		43,000,000.00
May 5 2023	North America	Canada	Alberta	Land	OP	Well	Well		Wildfire		32,000,000.00		32,000,000.00
Apr 23 2023	South America	Guyana	Atlantic Ocean	Offshore	CAR	SSCS	SSCS		Misc	27,800,000.00			27,800,000.00
Nov 8 2023	Africa	Senegal	Dakar Region	Offshore	CAR	SSCS	SBM Buoy	Cable (elec/ control)	Faulty work/ op error	26,000,000.00			26,000,000.00

Total 2023 Upstream Losses (122): USD2,076,186,219
Total Top 10 Losses: USD1,414,965,000 = 68%
Operational (110): USD1,899,446,219
Construction (12): USD176,740,000

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 2023 figures are subject to further development, both in terms of frequency and severity of losses. As of June 5, 2024.

Note: There has been one upstream loss reported so far in 2024 over USD100 million.

03
MIDSTREAM

MIDSTREAM

In 2023, Midstream (re)insurers faced challenging market conditions due to some significant and isolated incidents in the USA and Middle East, as well as some severe wildfires in Alberta, Canada. Regarding the wildfires, while few oil and gas companies experienced any actual physical damage, the (re)insurance market suffered a high number of business interruption (BI) claims. As such, we have seen a tightening of policy terms and conditions, namely around additional coverage such as interruptions from denial of access and civil and military authorities.

Determining the final quantum of these wildfire claims took some time due to the involvement of forensic accountants and the additional work required by loss adjustors given the fact that they were financial losses rather than physical damage (PD). As a result, we continued to see consistent rate increases from the back end of 2023 into the first quarter of 2024. During the second quarter of 2024, however, the total claim amounts for these wildfires became much clearer, and reinsurers observed steady decreases in their overall net reserves, which contributed to a moderating of rate increases.

Other key factors having a positive impact on the Midstream market are:

1. The improved outlook for the global economy, namely the tailing off of inflation (in sharply rising inflation environments, (re)insurers become very concerned about valuations given the increased likelihood of claims costing considerably more than originally anticipated), and largely restored supply chains.

2. The stabilization in commodity prices has meant that the spikes in BI values witnessed in 2022 and 2023 have subsequently retreated and allowed for more balanced PD and BI programs.

3. An uptick in available London capacity.

Expanding on point three, we have seen a softening rate environment in the offshore space coincide with the noted increase in available capacity and have even seen some more traditional upstream (re)insurers decide to branch into the midstream space, primarily to increase their GWP's in line with their stringent 2024 income targets.

For the Midstream sector, halfway through 2024, this means continued downward pressure on the rating environment, which has already moved average program rates into the early single-digit region. Even considering this positive pressure, (re)insurers continue to witness total annual claims outweighing the global premium pool, and therefore, the midstream sector remains harder than the traditional Upstream market.

04
DOWNSTREAM

DOWNSTREAM

As we move into the second half of 2024, we are seeing the market starting to soften in terms of rate. The previous several years have seen a massive influx of premium income into the market, which has had a multiplier impact on premium income due to rising base rates, inflationary pressure on the physical assets of the insured, strongprofit margins, and supply chain delays driving greater BI indemnities. Insurers have, during this time, benefited from sizable increases in premium income, which has had a beneficial net effect against any losses.

Of course, the level of softening is as ever dependent on numerous factors, including the usual considerations of premium volume, loss record, risks deemed to be well-engineered, and the amount of critical Natural Catastrophe exposure, i.e., risk location.

One of the key factors behind this momentum shift is that 2023 was a relatively benign loss year for downstream insurers, a return to profitability for most. Last year's profits, in addition to a positive Reinsurance Treaty Renewal Season, have indeed led to an increase in capacity, both from existing insurers and with the introduction of new markets/MGAs into this class of business. This has led to a scramble for signings and, in some cases, participation in high-profile risks.

Areas that require continued monitoring are ESG, business interruption, valuations, and more recently, wildfires (not necessarily in that order):

- **ESG:** There continues to be no market consensus on this issue. As has been widely reported, some of the major European insurers have tended to be the ones taking the toughest stance, and it remains important to keep a close eye on how their positions could affect future market capacity, particularly in certain sub-sectors of the downstream book.

- **Business Interruption:** This coverage continues to be under the spotlight across the market, and with the release of the new LMA 5515A Clause (which includes a Partial Loss Adjustment Factor), this is deemed a method for insurers to further reduce the uncertainty of any potential claim amounts. From a client's perspective, the best way to push back on this is to provide ever more detailed and regularly adjusted breakdowns of their Business Interruption Values.

- **Valuations:** Insurers continue to expect clients to have undertaken recent revaluation exercises to ensure their asset base is correctly valued in what, post COVID-19, has been a highly inflationary environment across the globe (although this is starting to slow down). Many clients have employed major valuation companies to assist with this exercise, and when this occurs, it is well received by the market. Where no recent valuation exercise has been undertaken and insurers deem there to potentially be underinsurance, the market will look to impose either an average or a rating load to compensate.

- **Wildfires:** This is becoming more topical in certain areas of the world, with insurers requiring updates on vegetation management and firefighting capabilities.

For the second half of 2024, we are shifting to a market that is in many clients' favor, but with a lively start to what was already expected to be an above-average windstorm season, all eyes will be on how insurers react if there is a major loss.

TOP 10 LARGEST DOWNSTREAM ENERGY LOSSES IN 2023

DOL	AREA	COUNTRY	LOCATION	LAND/ OFFSHORE	OP/ CAR	CATEGORY 1	CATEGORY 2	CATEGORY 3	CAUSE	PD/ACTUAL US$	BI/ACTUAL US$	TOTAL/ ACTUAL US$
May 15 2023	North America	USA	Texas	Land	Maint	Refinery	Secondary process	Reformer	Fire + explosion/VCE	35,000,000.00	862,296,000.00	897,296,000.00
July 14 2023	North America	USA	Louisiana	Land	OP	Petrochemical	Olefins		Fire + explosion/VCE	275,000,000.00	275,000,000.00	550,000,000.00
Aug 6 2023	Europe	Belgium	Antwerp	Land	OP	Refinery	Secondary process	Cracker	Fire no explosion	63,600,000.00	309,000,000.00	372,600,000.00
Aug 7 2023	North America	USA	Texas	Land	OP	Chemical	Chemical		Fire + explosion/VCE	190,000,000.00	120,000,000.00	310,000,000.00
Nov 2 2023	Europe	Germany	Rhineland-Palatinate	Land	Maint	Petrochemical	Olefins		Fire no explosion	54,000,000.00	254,000,000.00	308,000,000.00
July 27 2023	Europe	UK	Scotland	Land	OP	Refinery	Secondary process	Hydrocracker	Unknown		250,000,000.00	250,000,000.00
Oct 12 2023	Africa	Egypt	Damietta Governorate	Land	OP	Chemical	Inorganic Chemicals	Compressor	Unknown	20,000,000.00	150,000,000.00	170,000,000.00
Aug 25 2023	North America	USA	Illinois	Land	OP	Refinery	Refinery	Storage tank	Fire no explosion	140,000,000.00	26,000,000.00	166,000,000.00
Sep 5 2023	North America	USA	Texas	Land	OP	Chemical	Chemical	Cracker	Unknown	32,000,000.00	120,000,000.00	152,000,000.00
Jul 1 2023	North America	USA	Texas	Land	OP	Petrochemical	Olefins	Cracker	Mechanical failure	20,000,000.00	86,000,000.00	106,000,000.00

Total 2023 Downstream Losses (85): USD5,017,094,021
Total Top 10 Losses: USD3,281,896,000 = 65%
Operational (80): USD4,986,194,021
Construction (5): USD30,900,000

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 2023 figures are subject to further development, both in terms of frequency and severity of losses. As of June 5, 2024.

05 POWER

POWER

The Power generation market is shadowed by several geo-political stressors, foremost being turmoil from the Russian-Ukraine conflict and the subsequent global rise in inflation, which continues to raise questions around energy security. More recently, the Israel/Gaza conflict (and the areas of conflict all around the region) has reiterated that supply chain issues and energy security are still very prevalent and capable of causing significant stress to the power generation insurance market. These pressures loom even before we consider the various sizeable losses in the market and the poor year that North American insureds had in 2023.

There have been several recent high-profile moves in the market to new organizations (departures from Travelers in London and Tokio Marine HCC have formed a new power generation team) and the emergence of new MGA's in both London and international markets. Nevertheless, there has not been the significant injection of capacity that buyers need to meaningfully suppress the current rating environment. While these changes haven't quite yet pushed the balance of capacity into an environment beneficial for insureds, it could be a positive sign of things to come.

There are signs of change ahead and hopefully a better buying environment, with some positive signs emerging. A handful of London property markets participate on power generation accounts, largely supporting the non-proportional structures in our placements, and they are in a rapid and significant softening phase, which has helped drive competition. This market saw rapid increases in prices after the 1/1/23 treaty renewals (in particular for Natural Catastrophe capacity), even during a large softening phase. This is great news for our clients who have support from these markets and should help with the overall pricing.

In the years following the pandemic, there has been a real focus on insurers insisting on the accurate reporting of values. In response to this, insureds have increased their efforts toward accurately appraising their assets; markets have seen this, and it has led to a slight softening of expectations from insurers. This is certainly the case where insurers have previously had to price in an ambiguity factor for values that were not up-to-date.

Global capacity for this risk class is still very abundant, with no major exits from the power market in recent months. What's even better for buyers is that, as more MGAs appear and more Lloyd's property syndicates consider writing power and wider energy business to supplement premium losses on their direct and facultative books, there will be increased competition that helps to drive down pricing.

Although there have not been any major withdrawals within the last six months, coal capacity is still significantly less than what is available in the wider market, with virtually all the large European reinsurers now not supporting new business.

TOP 10 LARGEST POWER ENERGY LOSSES IN 2023

DOL	AREA	COUNTRY	LOCATION	LAND/ OFFSHORE	OP/ CAR	CATEGORY 1	CATEGORY 2	CATEGORY 3	CAUSE	PD/ACTUAL US$	BI/ ACTUAL US$	TOTAL/ ACTUAL US$
Oct 14 2023	Middle East	UAE	Fujairah	Land	CAR	Power Thermal	Gas	Turbine Gas	Fire no explosion	130,000,000.00	110,000,000.00	240,000,000.00
Sep 6 2023	Europe	Greece	Thebes	Land	OP	Power Substation	Substation	Transformer	Lightning no fire	9,000,000.00	40,000,000.00	49,000,000.00
Jan 8 2023	Far East	South Korea	South Chungcheong	Land	OP	Power Thermal	Coal	Piping	Fire + explosion/VCE	36,000,000.00		36,000,000.00
Jul 20 2023	South America	Argentina	Neuquen Province	Land	OP	Power Thermal	Gas	Turbine Gas	Mechanical failure	9,000,000.00	19,100,000.00	28,100,000.00
Feb 15 2023	Middle East	Saudi Arabia	Eastern Province	Land	OP	Power Thermal	Gas	Turbine Gas	Mechanical failure	20,000,000.00	3,000,000.00	23,000,000.00
July 14 2023	South America	Argentina	Buenos Aires	Land	OP	Power Thermal	Gas	Turbine Gas	Faulty design	7,000,000.00	12,640,000.00	19,640,000.00
Dec 15 2023	Australasia	Australia	Western Australia	Land	OP	Power Thermal	Gas	Turbine Gas	Mechanical failure	12,700,000.00	4,800,000.00	17,500,000.00
Nov 17 2023	North America	Canada	Alberta	Land	OP	Power Thermal	Gas	Turbine Gas	Unknown	2,900,000.00	14,130,000.00	17,030,000.00
Jul 31 2023	North America	USA	Colorado	Land	OP	Power Thermal	Gas	Turbine Gas	Mechanical failure	8,000,000.00	7,800,000.00	15,800,000.00
Jul 30 2023	Middle East	Qatar	Doha	Land	OP	Power Thermal	Gas	Turbine Steam	Unknown	1,250,000.00	11,500,000.00	12,750,000.00

Total 2023 Power Losses (80): USD1,319,910,458
Total Top 10 Losses: USD458,820,000 = 35%
Operational (65): USD1,004,428,568
Construction (15): USD315,481,890

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 2023 figures are subject to further development, both in terms of frequency and severity of losses. As of June 5, 2024.

06
CASUALTY

CASUALTY

INTERNATIONAL CASUALTY

Facing a pessimistic run-up to the reinsurance renewals on January 1, 2024, with many treaty reinsurers expressing concerns about the market, most reinsurance buyers ended up with as before type renewals, correlating with direct buyers seeing flat renewals. Insureds that are willing to change their panel of insurers are in some instances seeing moderate decreases given that there remains an abundance of capacity for most buyers in the international energy liability space.

There is still a lot of caution from insurers where international liability risks have any US exposures, and we expect this element of accounts to continue to be a difficult write-off for those markets that favor non-US risks.

It also ought to be mentioned that insureds have paid increases in premiums over multiple renewal cycles, so there is hope that we are at, or very close to, rate adequacy, and this has filtered through to underwriting results.

US ENERGY LIABILITY

Loss deterioration from previous years remains a prominent issue, with losses from 2019–2021 showing significant worsening. Certain insurers, both in London and domestically, are reassessing their risk appetite and seeking to reduce their exposure at specific attachment points and within certain sub-classes.

We are observing a trend of large domestic US insurers reducing their limits on lead umbrellas and prioritizing pricing on primary lines such as auto liability, general liability, and workers' compensation. USD5 million lead umbrella limits are becoming far more common, whereas in recent years we have seen USD10 million.

General liability rates are experiencing increases ranging from +2.5% to +7.5%, whereas umbrella rates are experiencing +5% to +10% increases.

While there is still ample capacity available in the excess liability market in London, claims inflation remains the primary factor impacting loss records, as the increasing frequency and severity of litigated claims continue to place significant pressure on excess liability carriers. As settlements grow and nuclear verdicts become more common in trials, carriers across all segments are closely examining the limits and premiums associated with their excess products to ensure sustainability.

Companies with larger fleets or losses are facing capacity challenges due to severely litigated auto liability and bodily injury claims, which continue to erode profitability for London insurers.

The upstream space has stabilized since Markel withdrew from JH Blades a couple of years ago. JH Blades has a new facility, but it appears to be less powerful than it was when the authority sat in-house.

While the market is not devoid of losses, it is in a stable place, and the reinsurance renewals at both 1/6 and 1/7 were relatively uneventful. It is anticipated the January 2025 renewals will be driven by reinsurers results following the 2024 Natural Catastrophe season.

07
RENEWABLES

RENEWABLES

The first half of 2024 has seen a continuation of natural perils impacting the insurance market, giving rise to the frequency and magnitude of solar claims. Some of the assets affected have been in unmodelled locations due to the data software not yet having full accuracy for all perils geographically. From January 2025, there will be multiple data software upgrade products that will become available to improve the visibility of all natural catastrophe exposures. The Alesco loss modeling team is at the forefront of utilizing the latest software and running data through our in-house loss modeling product to provide clients (and their insurers) with site-specific exposure details.

The onshore wind market is seeing a rise in Chinese Original Equipment Manufacturers (OEMs) being installed in certain territories by offering an attractive cost reduction compared to their European-origin OEM competition. This is likely to drive the need, by client and insurer, for an extended monitoring period to foresee the success of these turbines and their warranties. Ultimately, this is a positive for the renewable energy industry globally as it pushes forward to reach installed Gigawatt (GW) targets.

The offshore wind market remains attractive to new insurers coming in to increase market share globally. Standardization can be seen in the sector, which should lead to clearer claims outcomes and shorter development windows, a necessity to meet GW targets set for 2030 by many countries that already have a considerable GW number of installed assets.

The BESS market is stable as site layouts have become more uniform in guidelines for spacing and equipment separation. This enables insurers to quantify Probable Maximum Loss (PML) values more accurately, which supports rating and deductible stability.

Overall, the downward premium rating turn of the market has begun to take place for clean or well-run accounts where competition amongst insurers for market share is taking place. Further improvements to existing technology protections and performance will continue this trend as new and existing insurer capacity increases.

TOP 10 LARGEST RENEWABLE ENERGY LOSSES IN 2023

DOL	AREA	COUNTRY	LOCATION	LAND/ OFFSHORE	OP/ CAR	CATEGORY 1	CATEGORY 2	CATEGORY 3	CAUSE	PD/ACTUAL US$	BI/ACTUAL US$	TOTAL/ ACTUAL US$
Feb 12 2023	North America	USA	Florida	Land	OP	Power Renewable	EFW	Various	Fire no explosion	157,800,000.00	-	157,800,000.00
Oct 4 2023	Far East	India	Sikkim	Land	OP	Power Renewable	Hydro	Structure	Flood	70,000,000.00	50,000,000.00	120,000,000.00
Jun 25 2023	South America	Chile	Tinguiririca Valley	Land	OP	Power Renewable	Hydro	Pipeline	Flood	12,850,000.00	70,800,000.00	83,650,000.00
Aug 10 2023	Middle East	UAE	Dubai	Land	OP	Power Renewable	Solar	Solar panels	Windstorm	40,500,000.00	14,000,000.00	54,500,000.00
Aug 28 2023	Europe	UK	Scotland	Offshore	OP	Power Renewable	Wind	Turbine	Unknown	42,000,000.00	-	42,000,000.00
Apr 4 2023	North America	Canada	British Columbia	Land	OP	Power Renewable	Hydro	Turbine	Fatigue	5,950,000.00	29,000,000.00	34,950,000.00
Aug 10 2023	North America	USA	Texas	Land	OP	Power Renewable	T&D		Windstorm		31,000,000.00	31,000,000.00
Nov 14 2023	Far East	Taiwan	Changhua County	Offshore	CAR	Power Renewable	Wind	Cable (elec/ control)	Unknown	24,850,000.00	-	24,850,000.00
Oct 19 2023	North America	USA	Texas	Land	Maint	Power Renewable	Solar	Transformer	Mechanical failure	11,000,000.00	8,000,000.00	19,000,000.00
Oct 30 2023	Europe	France	Bouches-du-Rhone	Offshore	CAR	Power Renewable	Wind	Various	Unknown	2,800,000.00	12,700,000.00	15,500,000.00

Total 2023 Renewable Losses (48): USD727,891,458
Total Top 10 Losses: USD583,250,000 = 80%
Operational (37): USD664,609,568
Construction (11): USD63,281,890

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 2023 figures are subject to further development, both in terms of frequency and severity of losses. As of June 5, 2024.

08 EVEREN RECENT DEVELOPMENTS AND MARKET INTELLIGENCE

EVEREN RECENT DEVELOPMENTS AND MARKET INTELLIGENCE

Alesco has been closely involved in monitoring Everen developments over the past 30 years and, at various times, has provided direct consultancy advice to Everen in terms of the Rating and Premium Plan and capital modeling.

- Total shareholder equity at March 31, 2024: USD3.595 billion
- December 31, 2023: USD3.522 billion
- Written premiums at March 31, 2024 are USD487 million
- March 31, 2023: USD532 million
- 2024 Q1 investment income was USD163.3 million
- Everen paid a dividend of USD200 million in September 2023 and announced a further dividend of USD350 million payable in September 2024
- Everen increased their limit from USD400 million to USD450 million from January 1, 2022
- Everen have increased their aggregation limit from USD1.2 billion to USD1.35 billion from January 1, 2022.
- The final loss positions for 2021–2023 have resulted in flat 2023 premiums and a stable TWP position for most members

Overall membership is now 71

- New members in 2020: United Refining; Pembina Pipelines; Ecopetrol; Federated Co-operative
- New members in 2021: North West Redwater Partnership; Formosa Plastics Corporation; Edison International; Los Angeles Department of Water & Power
- Husky was acquired by Cenovus
- New member in 2022: CEZ (leaver in 2022: BHP Billiton Americas Inc.)
- New members in 2023: Xcel Energy, Inpex, and Ergon Inc.
- New members in 2024: National Grid, Meridian, and Contact Energy
  - National Grid provides the power, managing the electricity distribution network for the Midlands, South West and Wales. They deliver essential electricity to millions of homes and businesses in the UK.
  - Meridian Energy is a powerhouse in the New Zealand energy landscape, with a focus on renewable energy generation. Their portfolio includes hydro, wind, and solar assets, making them a leader in sustainability.
  - Contact Energy has built a flexible and largely renewable portfolio of electricity generation assets. They own and operate 11 power stations in New Zealand and produce 80–85% of our electricity from our renewable hydro and geothermal stations.

- The Everen pool continues to grow, with a target to add more international (non-US) members and diversify into the lower risk power and renewable sectors. This should benefit long-standing members through a higher pool premium and reduced risk/volatility.
- Everen is taking a different approach to renewables with the introduction of a number of new business sectors (now sixteen business sectors in total).
- Everen is attracting new members as environmental lobbying (ESG) is impacting commercial market capacity in some sectors (oil sands, fracking, coal power, coal mining) and is likely to continue as Lloyds and other major insurers implement ESG underwriting criteria.

CURRENT EVEREN MEMBERS 71

AS OF JULY 2024

Australasia (6)

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

Canada (11)

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
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

Asia (2)

CNOOC Limited
INPEX Corporation

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

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