

Energy Market Review Update

November 2025

Energy Market Review Update 2025

Table of contents

2026 energy insurance market outlook

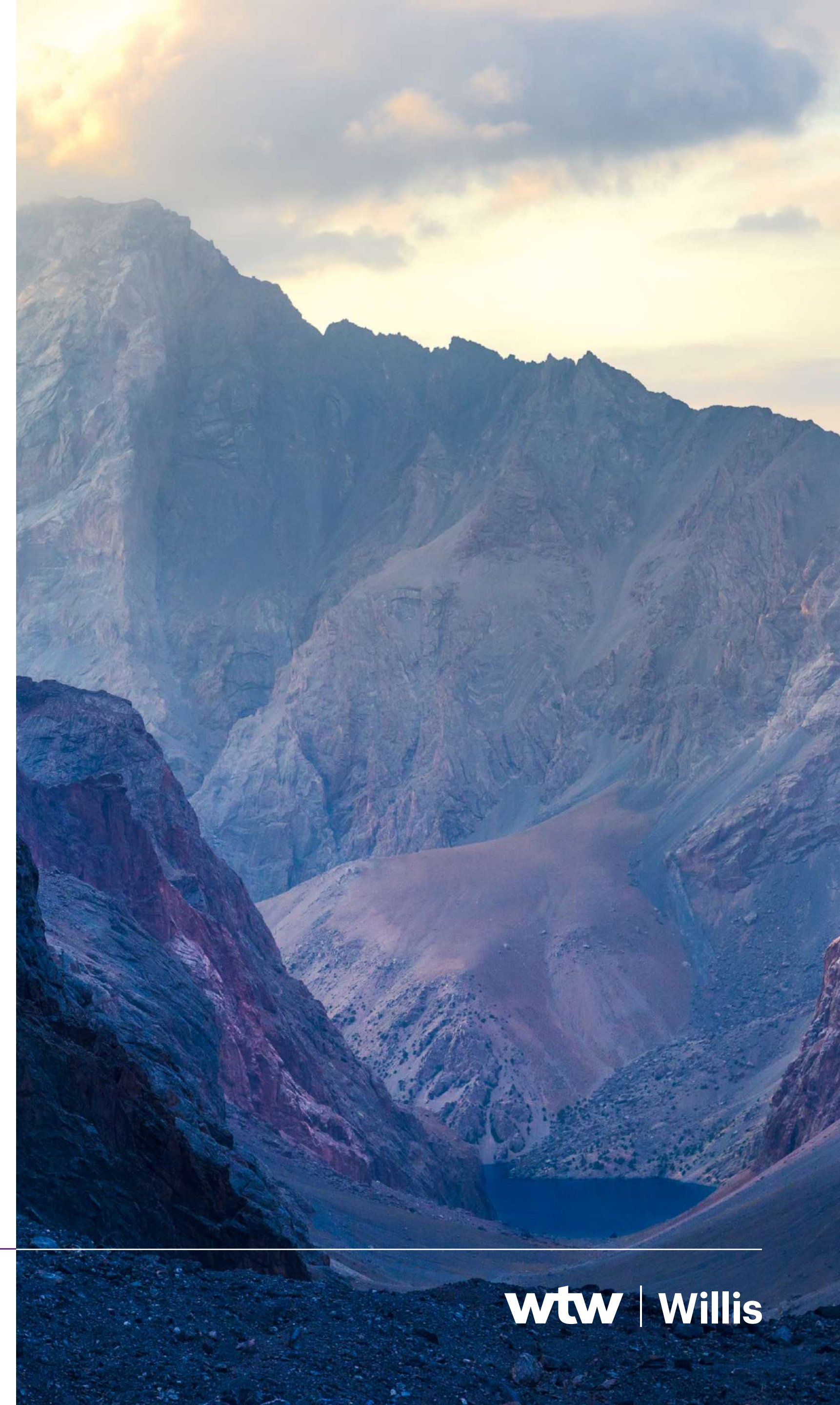
Steady softening or a race to the bottom?

Welcome to the Energy Market Review Update. Rate softening has further accelerated in most sectors of the energy market and shows no signs of abating. Insurance buyers remain in a strong position to optimize both cost and coverage as we move into 2026.

Insurers continue to battle between writing profitable portfolios and achieving the growth targets they have been set—a balance that is getting harder to strike. We may well see more insurer merger and acquisition activity going forward as markets try to inorganically grow their books.

A mixed year for losses

The upstream energy market has experienced another record year of low loss activity, potentially pointing at the establishment of a new baseline driven by improved risk management and asset quality. Downstream insurers, on the other hand, have suffered in the region of \$4-4.5 billion of losses so far with claims already equaling market premium. While downstream leaders are addressing this loss activity on the most affected accounts and portions of their portfolio, market appetite for the remainder of placements grows further and rates continue to soften. There is still a little way to go before rates reach the absolute bottom of the cycle; we will know we are closer to this when markets start offering concessions on typical



coverage restrictions and show a willingness to consider reduced retentions and waiting periods.

This raises questions around how much longer this softening cycle will persist before the market turns. Management will be keeping a watchful eye on the sustainability of reduced premiums as competitive pressures and growth targets potentially intensify in the year ahead.

The mismatch between narrative and reality

Brokers are often accused of portraying large reductions achieved on tendered placements under significant competition, as the new market norm. While extreme reductions are likely to be outliers, the market is moving in a shared direction: down. Although sizable reductions are not the norm across the entire portfolio of energy risks, it is incumbent upon brokers to push the market hard to achieve the best possible placement outcomes for our clients by creating appetite, competition and scarcity.

Similarly, it is underwriters' responsibility to steady the tide of rate reductions to maintain profitability. To this end, 'underwriter talk' frequently presents a picture of much lower average reductions across their book of business. However, these figures include outliers at the

other end of the spectrum such as loss-bearing accounts and small placements with less favored risk profiles and, most importantly, they do not include new business which the insurer did not write in the previous year. It is the latter that often attracts the largest reductions. Without accounting for the full picture, average figures can be disproportionately low.

It is safe to say that the realistic picture for most clients lies somewhere in the middle of these opposing views. It's the role of the broker to advocate for their client and reach a point at which all parties can agree and move forward with confidence.

Brokers are getting strategic to maximize client benefit

In the current market, brokers have a number of strategies they can deploy to optimize renewal terms for their clients:

- The ongoing oversupply in capacity and insurer appetite for growth is giving brokers additional leverage to align terms and conditions behind the most competitive quotes. This is resulting in fewer underwriter subjectivities and differences in terms and conditions as well as an overall simplification of previously complex verticalized placement structures. This simplification is yielding premium savings for clients over and above the pure rate reductions offered by the market

- Brokers are increasingly encouraging clients to weigh up the benefits of long-term relationships with their lead carriers against the potential cost savings that can be achieved if these leaders are challenged through alternative quotes. There are many considerations that play into deciding which option is right for each individual client, but the premium savings that can be achieved through challenging existing leaders are getting harder for insurance buyers to ignore
- The growth of broker fast-follow facilities is delivering clear client benefits including cost savings and faster completion of placements. As the capacity provided by these facilities displaces existing markets, competition for the remaining open market shares intensifies, spelling good news for buyers

Energy companies renewing for the remainder of 2025 are in a strong position in the softening market that is showing no signs of abating. Favorable reinsurance treaty renewals across all sectors of the energy market will allow insurers to further prolong the softening trend by alleviating some of the cost pressures. These savings could allow insurers to hold the fine balance of profitability versus growth ambitions for a little while longer, allowing buyers to reap the benefits of sustained compounding rate reductions into 2026.

We hope that you find the Review to be insightful and look forward to discussing any of these topics with you in more detail.

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Downstream

Steady up

Losses are tempering downstream energy insurance trends

While the downstream energy insurance market remains soft, signs of tempered reductions and strategic repositioning are emerging as we approach 2026.

Key takeaways:

- The downstream energy market is still going to be soft as we head toward the close of 2025, but reductions might not continue at this pace in the longer term
- Significant premium on the slip will continue to attract appetite, but companies with loss activity will be hit to balance reduced premium from well-performing accounts

- Major losses—predominantly in the U.S.—are creating pockets of nuanced underwriting appetite

Losses are steadying any freefall softening

A string of substantial refining losses early in 2025 brought an end to the recent benign loss activity and recent losses in Q3 have added to the pressure.

Six of the eight major losses in the current cycle have occurred in the U.S., putting clients with U.S. exposures under scrutiny for downstream energy underwriters. Unrelated to natural catastrophes and now out of the wind season, the concentration of incidents in the U.S., largely in the refining sector, is causing many in the underwriting community pause in chasing the market to the bottom.



As many in the market pursue top line growth in a declining rating environment, the competition for market share will continue the softening cycle until something changes on the supply side of the curve. The largest reductions are isolated to tier- 1 risks, with tier 2 and beyond see more tempered renewal results. The pace of softening has not reached the levels available elsewhere in the world, with U.S. loss frequency partially to blame



Austin Sims, Director, Property Broking,
Willis Natural Resources, North America

This divergence is creating a bifurcated rating dynamic: U.S. risks are seeing reductions, but the regional concentration of losses is slowing the depth of the market softening compared to international risks.

“As of Q4 2025, Asia has not experienced any major energy loss incidents. This marks another year of exceptional stability for the region, reinforcing the soft

market conditions that began in 2024 and have persisted throughout 2025. Despite major downstream refinery fires and explosions elsewhere, rates offered to Asian clients have remained unaffected, with Asian clients continuing to benefit from rate reductions and favorable renewal terms”,
Charlotte Watts, Head of Energy and Mining, Willis Natural Resources, Asia.

Despite significant losses now totalling between \$4 and \$4.5 billion, the market has shown resilience. Treaty renewals are proceeding without major disruptions, with insurers expecting their 1/1 treaties to renew with reductions. These losses, while substantial, have not yet catalyzed a hardening of the market, though they are beginning to influence underwriting behavior.

Pricing remains on a downward trajectory

Businesses with clean loss histories continue to benefit from favorable renewal terms, with standard reductions of 10–15% and even deeper cuts in the region of 20–30% in competitive tenders.

After swathes of loss activity, caution is creeping in. The pace of reductions is expected to slow as carriers seek to balance aggressive pricing with profitability. With pricing already well below technical rate adequacy levels, insurers can simply not afford to continue to compound year-on-year rate reductions. We anticipate a slight easing of downward rating trends as we begin 2026, but absent any further meaningful loss activity, we anticipate that the market will regain its current softening momentum by late spring.

Premium volume will continue to talk as insurers scramble to hit ever-increasing growth targets and compete for market share. These large-premium-bearing accounts remain attractive and will continue to attract significant competition that can be leveraged to improve terms.

As the oversupply of capacity continues, further amplified by the increase in broker facilities, downstream brokers can simplify placement structures. Where placements were heavily verticalized in previous years, markets are now increasingly aligning behind lead terms. This results in higher priced capacity towers falling away, generating an overall cost saving for clients over and above the rate reductions being offered.

Stable capacity is nurturing competitive pressures

Global capacity remains stable, with no significant entries or exits. After reductions this year, the downstream book has a premium volume of around \$3.5 billion. London markets continue to lead aggressively, driven by income pressures and a desire to grow their market share. Meanwhile, the Middle East offers \$1 billion in independent capacity and is increasingly competitive, particularly for regional risks. Asia remains cautious but may follow strong market signals.



Bigger players are likely to engage early to obtain business, and sector-focused brokers have a critical role in assessing all available client options, including considering the relationship, quality and longevity of capacity, identifying the best point of access, and helping clients optimize their risk strategy



Michael Buckle, Willis Natural Resources Leader, G.B.

There's a slight easing on terms and conditions

While there's some easing in terms and conditions, deductibles and contingent business interruption (CBI) limits remain firm.

While asset values have increased over time, deductibles have remained steady, meaning that deductibles have reduced over time on a relative basis.

"Different markets think we're at different stages of the softening cycle. Some are more willing to ease certain terms and conditions than others. Long-term agreements (LTAs) experienced a vogue in the first half of 2025, but some markets are now taking this option off the table. As these nuances are worked out in individual negotiations, deductible discipline endures, suggesting we're not at the bottom of the softening cycle just yet", Kieran McVeigh, G.B. Head of Downstream Energy Broking, Willis Natural Resources.

A market separation is emerging

Major insurers often underwrite risks from regional hubs that have independent portfolios of business.



These regional hubs are shielded from the impact of loss activity in different regions. Take the U.S. for example, where U.S. losses are isolated to their U.S. hub. As a result, the portfolios of these international satellite offices are highly profitable compared with smaller players who take a global view of their book. This enables the regional hubs of large carriers to offer highly competitive terms, unencumbered by the performance of distant parts of the downstream portfolio



Andrew Brunero, Global Head of Downstream Energy Broking, Willis Natural Resources

Meanwhile, we are seeing some key underwriter movements and the opening of a number of new managing general agents (MGAs). These changes can increase competition by adding further follow capacity to the market. Increased competition will add to the softening market environment as we progress into 2026.

Factors on underwriters' radars

- Facultative reinsurance (FAC) placements are being utilized by markets to protect their bottom line, though primary FAC remains niche and expensive, and is still recovering from the 2017 downturn



- ESG remains a factor despite political uncertainty in key markets. However, insurers are increasingly flexible in their review process of ESG guidelines and too rigid a stance can place insurers as an outlier who misses out on otherwise profitable premium

The soft market is tempered: Get strategic about risk strategies

Before the soft market cycle hits the bottom of the pricing curve, there’s still room to build an ideal risk management strategy that will pay dividends when markets inevitably harden again in the future.

- **Build relationships:** Foster multi-line partnerships with key carriers to offset potential loss activity and changeable PDBI rates with more stable business that insurers want to retain
- **Be transparent:** Use risk engineering to articulate clear and data-driven risk information and be transparent about lessons learned from past losses
- **Test leadership:** Challenge lead underwriters to ensure alignment and accountability. Loyalty is often rewarded, but other options could bear fruit as risk profiles and appetites change over time

- **Consider service metric and claims performance:** Market responsiveness, availability, wording considerations and ongoing service need to be merited

To find out how to build resilience in a softening downstream energy market, contact:



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Test your lead market

Achieving major reductions
in upstream energy insurance

The upstream energy insurance market has continued to soften since the April Energy Market Review.

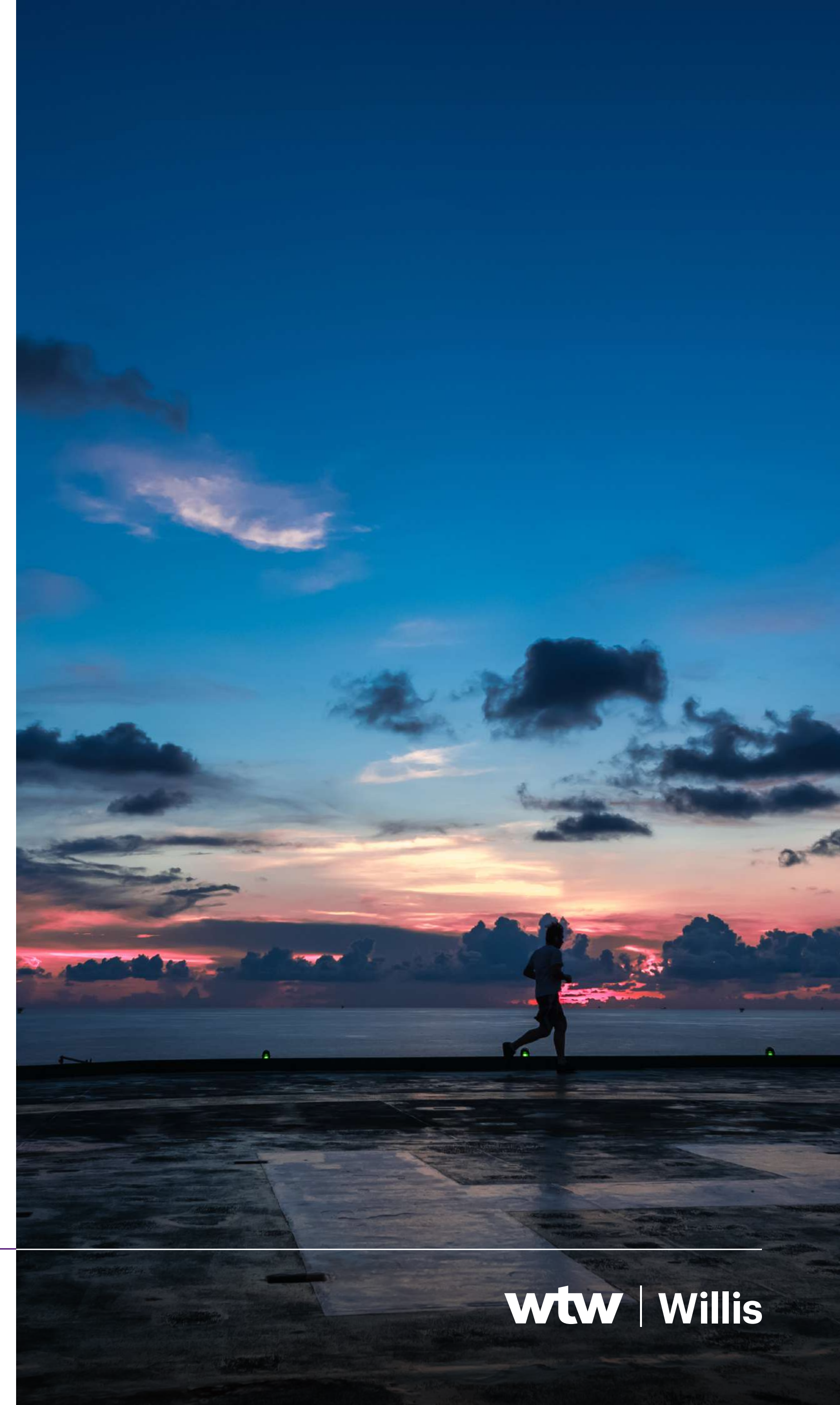
Key takeaways:

- Insurers' budget targets are growing, but rates are falling, and underwriters are under pressure to write more business into the book to fill the gap
- Some risks—such as offshore construction—that were previously declined are being considered
- Some pockets such as subsea construction are creating micro hard markets, but aren't changing the direction of travel for upstream energy as a class

Softening market conditions have accelerated

Market softening has accelerated since our last update, and this has resulted in a majority of insurers falling short of their budgets so far. While some markets have been able to rebase their budgets to take account of the changing rating environment, many remain committed to hitting existing budget targets. This has led to further acceleration in the market softening:

- Competition to retain and win substantial placements with premium exceeding \$10 million is fierce, but insurers with less aggressive premium income targets are more disciplined in their approach



- Insurers are reporting average book reductions of 5%-10%, but this is not consistent across the portfolio
- Some placements that have not been tested in the last few years are getting quoted at reductions of 30-40%
- A clear dichotomy is emerging. Markets not subject to these budget pressures are quoting less competitively
- Underwriters are managing softening market conditions with increased credits and long-term agreements to maintain business

The tightrope of rating adequacy

Amid soft market pressures, underwriters remain focused on profitability. Rate adequacy is a key consideration. Until rates fall below a critical threshold, profitability remains viable, and underwriters are willing to compete for increased market share on profitable business.

But management are keeping a watchful eye on this activity, which may become unsustainable as markets continue to soften: a trend to watch next year.

Insurers are getting creative to stay competitive

Stable markets are broadening their appetite and exploring risks that would have been declined previously as they realize that growing their lines on existing business is no longer sufficient to meet their targets or remain relevant.

Following a number of significant personnel movements in the last year, new challenger markets are emerging. These markets are unencumbered by the deterioration in back-year loss records and are willing to quote aggressively to gain market share which they hope to maintain as conditions improve in the future.

Despite the emergence of these challenger markets, insurer-insured relationships remain critical.

- Long-term relationships with lead markets are being rewarded with incumbent leaders reevaluating their pricing when challenged in order to retain renewal business, "Negotiating larger reductions is more accessible when incumbent leaders with longstanding relationships with clients are challenged through



Latin America is showing a significant downward trend in pricing, with recent tenders reflecting discounts of over 40%. In some countries such as Argentina, hybrid structures featuring substantial retentions have led to major premium reductions and elsewhere, such as Peru, competitive conditions endure across programs



Ana María Gómez, Regional Leader,
Willis Natural Resources, Latin America

alternative quotes at renewal”,

Richard Burge, Head of Offshore Broking,
Chief Broking Officer, Willis Natural Resources

- “In response to these compelling market conditions, buyer behavior often reflects a preference for long-term strategic partnerships so clients can capitalize on the soft rate environment available currently. Clients are aligning with insurers who demonstrate consistency and flexibility—maximizing the benefits of the current soft market cycle. These partnerships are helping clients secure better terms, broader coverage, and more stable relationships, especially as insurers prioritize retention of clean, well-managed risks”,
Charlotte Watts, Head of Energy and Mining,
Willis Natural Resources, Asia
- Lead markets are in a position to grow their participation which could marginalize markets, potentially handing lead markets the power to control rate movements in the future

Underwriters are getting strategic

There has been much discussion in recent months about whether it is “broker talk” that is accelerating the downward cycle. As soon as an account in the market achieves a new record reduction level, brokers can treat this as the new norm, despite a majority of





In Q3 2025, some insurers were reporting 6-8% reductions on their upstream book. But these figures need to be assessed critically as reductions don't take into account the new business or increased premiums on loss-making accounts. The double-digit reductions achieved on the largest accounts are removing vast amounts of capital from insurers' premium pools, and underwriters are using high single-digit reductions on small-medium size businesses as a strategic tool to signal an effort to steady the softening across the entire portfolio. It's likely that the larger accounts will pay dividends when the insurance market cycle hardens, and pressure to retain these accounts is significant. Absorbing reductions on these big accounts is unavoidable until market dynamics change



Paul Braddock, Head of Upstream
Great Britain, Willis Natural Resources

accounts renewing at much more modest reductions. "It is undoubtedly true that some of the extremely large reductions achieved recently are outliers compared to the remainder of the portfolio, but equally, the figures quoted by insurers must be taken with a pinch of salt",

Marie Reiter, Head of Global Broking Strategy, Willis Natural Resources

The true picture of the rating environment likely lies somewhere between the extremes of "broker talk" and "underwriter talk" and reflects the differing rating microcosms in the upstream energy market.

As ever, the scale of rating movements across the market varies considerably. Insurers report overall book movement of -5% to -10%. Large, clean operating accounts with a premium spend in excess of \$10 million have achieved in excess of 40% reductions when leadership has been challenged, with reductions more modest for most. At the other end of the scale, accounts with a poor loss record are likely to attract rate rises or require deductible/retention increases to offset the rate increase.

A new baseline of low loss activity

Despite an increase in activity, it has now been nearly a decade without a market loss exceeding \$1 billion. This may indicate a new lower baseline of loss activity driven by

The upstream energy market continues to deliver profitability for insurers



improved risk management and asset quality, as well as a move away from riskier frontier territories. If this is indeed the case, the soft rating environment driven by benign loss activity may stay for a while longer.

In a world where loss activity is predominantly attritional, big players will be more likely to weather the storm due to the breadth of their portfolios. Smaller books of business on the other hand, are more likely to be disproportionately committed to the risks they are able to win and have less balanced portfolios overall. These markets’ profitability will be more readily chipped away by attritional losses, potentially placing them in a precarious position.

Construction risks’ new premium can come at a cost

Construction remains a unifying concern across upstream markets. The long-tail risks remain a perennial challenge, but underwriters are more accommodating of these less favored risks where an operational relationship already exists. Leaning on operational relationships to bolster a construction placement is becoming a key broking strategy: a trend to watch in 2026. Some major construction projects have added significant premium volumes to the overall pot in 2025, but will there be a similar volume of projects in 2026? The looming threat of long-tail construction losses adds complexity to this outlook.



The market is not without its challenges. Many insurers are writing significant volumes of upstream construction business—historically the worst-performing segment—which could introduce volatility later on given the project timeline. Nonetheless, the current environment remains highly favorable for energy clients in Asia, especially those focused on rate optimization and strategic risk placement



Charlotte Watts, Head of Energy and Mining, Willis Natural Resources, Asia

There's a hard line on subsea construction

Meanwhile, capacity remains restricted for subsea construction, creating a micro hard market. In a soft market where winning new business is a key focus, some markets are considering small amounts of subsea construction

to boost much-needed premium income. However, if incorrectly priced, construction placements can take months to complete, leaving clients with a significant degree of uncertainty on coverage and cost. Although subsea construction incidents are rarely headline losses due to the asset size, they are a major source of attrition for insurers and the risk often outweighs the reward.

The outlook is bright for reinsurance treaty renewals



Signs are that the market could be reaching an inflexion point, but reinsurance reductions could prop up profitability margins to keep the softening trend as we head to 2026



George Richardson, Upstream Energy Broker, Willis Natural Resource

Expected reinsurance treaty reductions in January are likely to be more measured than the reductions seen in the direct insurance market. Reinsurance treaties are assessing the evolving market, but the absence of major losses and ample capacity points to a measured reduction in costs across the upstream portfolio. It will be interesting to see if insurers continue to purchase high-level top up layers on capacity assets as this will provide an indication of their future strategic direction in maintaining and growing market share versus adjusting budget expectations downward for 2026.

Prepare for 2026

Supply and demand dynamics endure. With a surplus of capacity and minimal losses, indications are that the soft market will remain into 2026. Risk managers need to keep key actions in mind to optimize their strategy:

Start early to allow your broker to obtain alternative terms to challenge existing leaders. Maintaining relationships with lead markets can pay dividends, but tendering your leader is achieving significant reductions. Brokers will need to support clients to weigh up the short-term financial gain and long-term implications of switching leaders

Consider that the largest reductions may come with a degree of jeopardy. Placements may not be fully

completed at quoted terms, creating increased complexity, pricing verticalization and a need to increase the budgeted premium spend mid-marketing in order to achieve full coverage

Although reviewing policy wordings may not be at the forefront of negotiations, strategic changes to wordings can broaden coverage in a softening market. These changes often ensure long beyond the end of the soft market and provide much greater benefit than a short-term cost saving

To find out how to optimize your renewal strategy in a softening market, contact:



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International liability

Directionally positive,
despite reserving concerns

For international markets, conditions are becoming more favorable, with undercurrents from claims and social inflation in the U.S. tempering meaningful softening globally.

Key takeaways:

- Regions with strong and growing local market capacity are seeing significant single-digit reductions for more straightforward accounts with smaller limits
- While total capacity has not changed meaningfully, the choice of market options has broadened

- Social inflation is pinching the excess layers in the tower, making the primary and upper layers of a program easier to place than the middle

With year-end renewals well underway, attention turns to what 2026 could hold for international liability markets. In some sectors and geographies, we are seeing a softening of market conditions, though this is inconsistent globally.

U.S. rating conditions remain distinct. In our separate U.S. section, we explore the rate increase trends and dig deeper into the direction of travel for the U.S. casualty market in 2026. For international markets, conditions are becoming more favorable, with undercurrents from claims and social inflation in the U.S. tempering meaningful softening globally.

Underwriters report three consecutive years of profit

Creating favorable conditions for rate moderation

Lloyds’ underwriting results for the casualty sector show three years of recent profitability after seven prior years in the red. This positive trend has continued in the most recent Lloyds figures for six months (ending on 30 June 2025), albeit reduced on the prior period.

While it should be noted that Lloyds includes allied long-term classes such as directors and officers (D&O), and financial lines within its definition of casualty, and this is representative of the Lloyds market only, it acts as good barometer for the state of the international liability market.

Lloyd’s annual results for the casualty sector:

Year	Gross written premium GBP million	Combined ratio %	Underwriting result GBP million
2014	4,959	98.1	↗ 74
2015	5,764	100.1	↘ (5)
2016	7,131	102.7	↘ (146)
2017	8,464	103.1	↘ (189)
2018	9,094	102.9	↘ (183)
2019	9,459	105.7	↘ (390)
2020	9,067	110.3	↘ (688)
2021	10,360	100.3	↘ (17)
2022	12,987	93.7	↗ 536
2023	12,991	93.6	↗ 576
2024	13,403	90.8	↗ 890

(Restated)	Gross written premiums	Gross premiums earned	Gross claims incurred	Gross operating expenses	Reinsurance balance	Underwriting result
6 months ended 30 June 2024	£m	£m	£m	£m	£m	£m
Casualty	6,848	6,776	(3,835)	(2,266)	(269)	406
(Restated)	Gross written premiums	Gross premiums earned	Gross claims incurred	Gross operating expenses	Reinsurance balance	Underwriting result
6 months ended 30 June 2025	£m	£m	£m	£m	£m	£m
Casualty	6,995	6,981	(4,035)	(2,483)	(351)	112

Market capacity is stable

But buyers have more choice

The global market capacity remained relatively stable in 2025, but as we noted in our April Energy Market Review, this apparent stasis hides some significant movements:

- A number of major insurers have reduced their total line sizes to help spread risk and reduce their exposure to major cat events and/or have elected to purchase less treaty reinsurance
- In contrast, several new managing general agents (MGAs) and Lloyds syndicates are emerging or broadening their appetite into energy liability and in Bermuda, the entry of QBE and Mosaic at the end of 2025 will help to offset previous capacity contractions

- The continuing development of broker facilities has added additional capacity, enabling hard-to-place risks to be more readily completed
- While total capacity has not changed meaningfully, the choice of market options has broadened

All of this is positive news for insureds. But wise insurance buyers are not underestimating the value of a stable panel of trusted insurers that will work constructively with an insured in the event of a claim.

Reasons to be cheerful

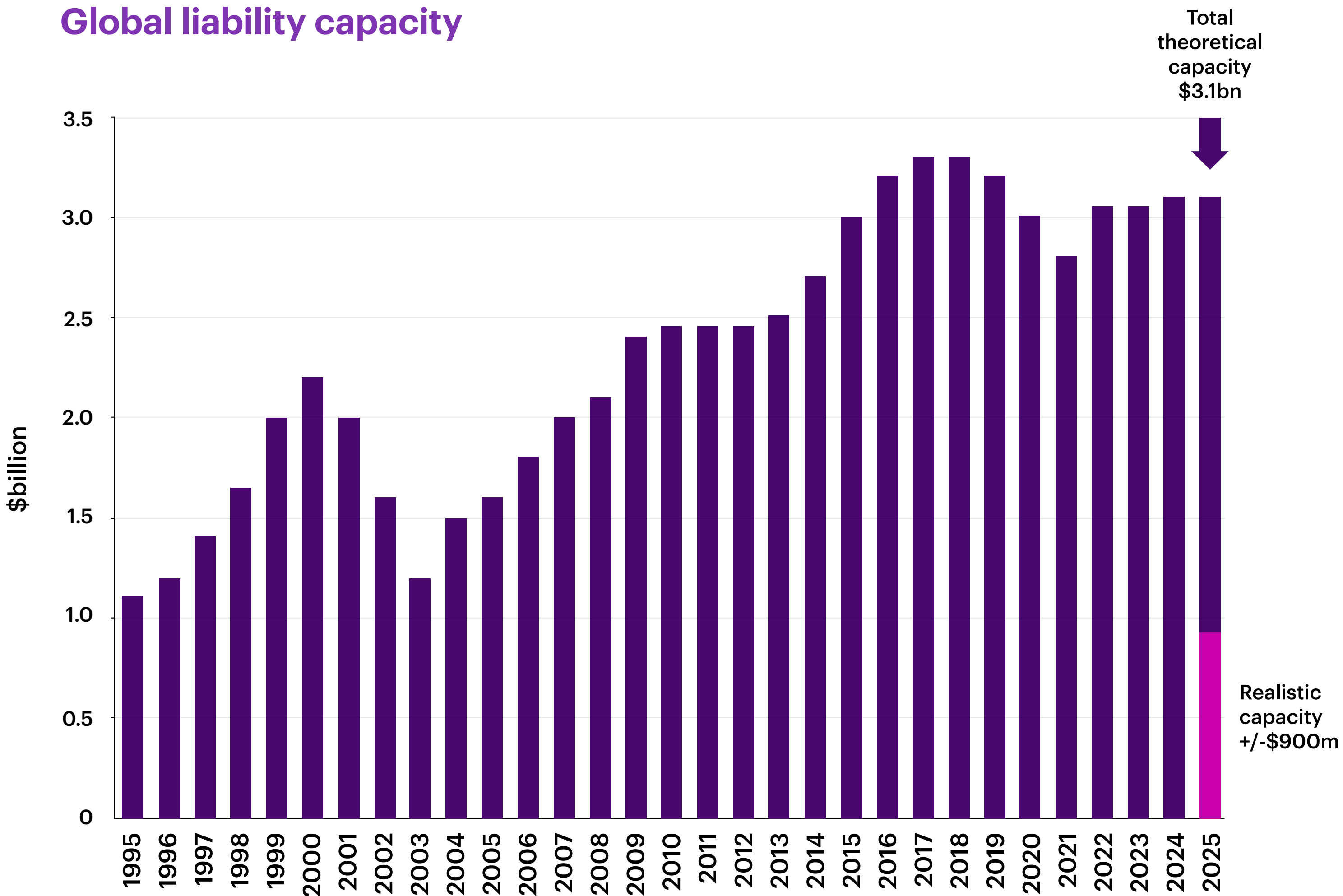
The rating environment is improving

Healthy capacity and generally positive loss ratios have helped to positively impact conditions and move the international market from a hard to a softening rating environment, in strong contrast to conditions in the U.S. casualty market.

Renewal experiences for international accounts can vary depending on the size, nature and geographic (and jurisdictional) location of an insured's business.

Regions with strong and growing local market capacity—most particularly, Australia, Canada and the Middle East—are seeing significant single-digit reductions for more straightforward accounts with smaller limits. In Asia, for

Global liability capacity



Source: Willis

example, insurers are maintaining a cautious stance, with limited line sizes and selective underwriting but the overall environment remains stable, and well-managed risks continue to attract competitive terms.

For complex accounts requiring significant limits and access to non-regional liability capacity, the norm has moved from small low single-digit increases to a default of flat pricing with low single-digit reductions achievable at renewal, where exposures justify. Rate adequacy remains a strong consideration, and insurers have more flexibility on accounts that are not already considered to be competitively rated.

Words of caution

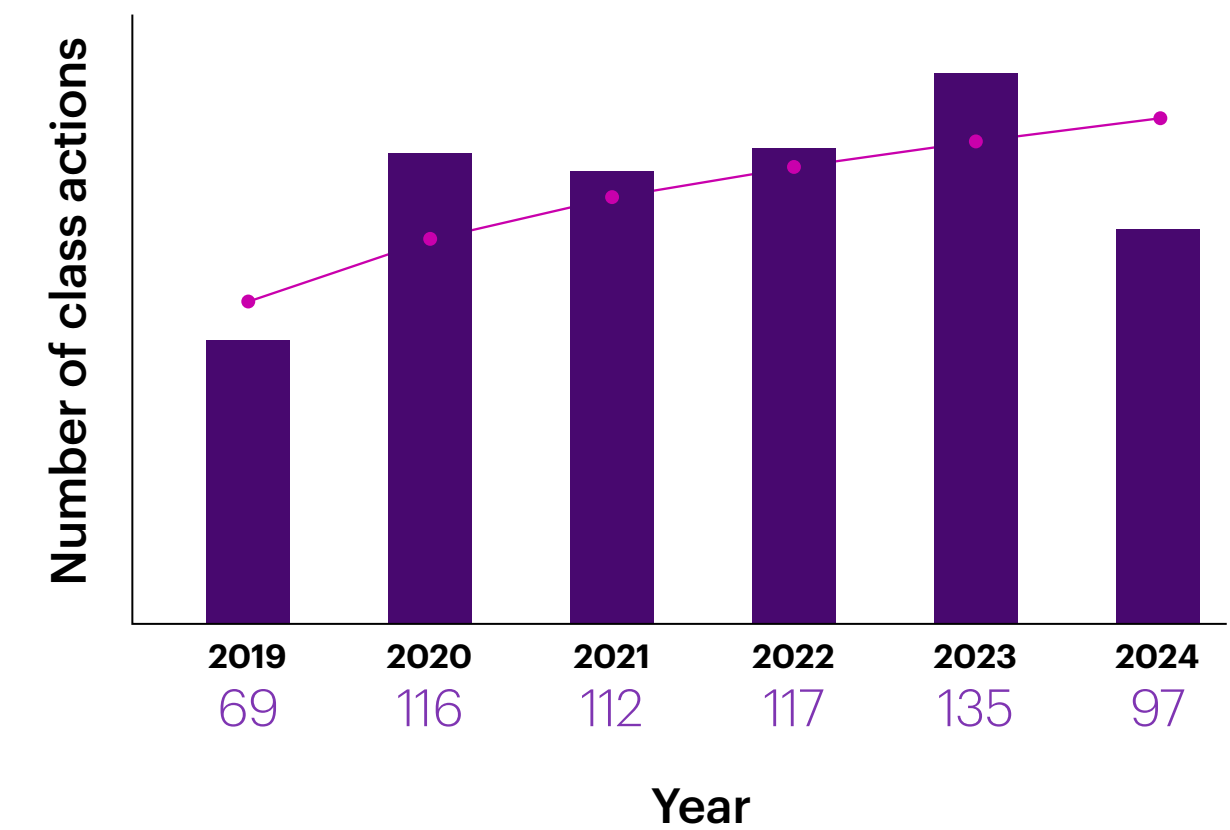
1. Europe: Regulations and class actions could have a knock-on effect on liability claims costs

In Europe, insurers are increasingly concerned about new legislation making it easier to bring a class action (EU Directive on Representative Actions for the Protection of the Collective Interests of Consumers) and directives such as the EU Product Liability Directive (EU) 2024/2853 which ease the burden of proof and make it easier to bring a product liability claim. Insurers are watching carefully their exposures, particularly European chemical and petrochemical companies.

This issue was most recently highlighted by in a press conference prior to the October Baden-Baden Reinsurance meeting by Swiss Re who warned that this new class action legislation in Europe will lead to a “material knock-on effect” on liability claims costs.

This is further supported European Class Action Report released in August 2025 by international law firm CMS, which evidences the overall trending of class action growth over the past 5 years and the growth in product liability and personal injury class actions which doubled from 2019 to 2024.

European class actions



Source: CMS European Class Action Report 2025

2. U.S. exposures in international programs are “a very different beast”

Some of the largest losses for international insurers have been on accounts with U.S. exposures. Social inflation and nuclear verdicts in the U.S. continue to significantly increase the average level of awards.

In response, a number of insurers are reducing their lines on programs with significant U.S. exposures and applying differentiated pricing for the U.S.-exposed elements (in the region of 5 to 7.5%) versus the international element (flat or small reductions).

The liability layer cake

There’s hollowing in the middle

Social inflation has increased liability claims in the U.S. by 57% in the past decade¹ and one insurer cited his experience of average bodily injury claims increasing from below \$10 million in the past 10 years to up to \$98 million currently.

The rise in average awards is regularly exposing middle and upper layers of a program that were previously considered to be catastrophe layers only. While primary premiums are more loss sensitive and still provide a profitable write, premiums on the mid to low excess layers for U.S. and

U.S.-exposed international accounts have not kept track of these increasing exposures. As a result, capacity has contracted on the layers above \$50 million and \$100 million leaving the primary and upper layers of a program easier to place than the middle.

Looking ahead

With an eye on the past

A number of liability market leaders continue to voice their concerns regarding insufficiency of casualty reserving, most notably Convex chairman, Stephen Catlin, who commented at the Association of Lloyds members conference in October that consistent under reserving of the 2015 – 2019 years has led to a potential reserving gap of \$100 billion - \$200 billion. The question is when and how soon this could come back to haunt underwriters, and if so, would it turn the market away from its current trajectory?

The liability treaty renewal season in Q1 2026 is expected to be favorable. Despite concerns that the casualty tail will catch up with its head, the emergence of new MGAs, broker facilities and local capacity suggest no immediate change to the current positive rating environment.

Although buyers have an increasing range of options, both domestically and internationally, future-ready insureds are

taking the opportunity to strengthen their programs with long-term relationship markets that will reduce volatility through future insurance cycles, and most importantly, continue to provide the broadest cover and support in the event of a claim.

To find out more, contact:



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¹ Swiss Re Institute Sigma report No 4)



From fires to fleet safety

What's shaping energy
insurance in North America

Key takeaways

- Regulatory evolution under the current U.S. administration is holding the door open for energy companies in North America, but commodity prices are putting CAPEX and OPEX under the spotlight
- North America's upstream market is marked by an absence of major loss events, which is contributing to softening premiums
- Downstream energy companies with a solid loss history are still achieving rate reductions despite high-profile refinery fires
- Casualty capacity remains stable, with some outliers. Most sectors are renewing at flat to low single-digit increases for workers' compensation and general liability, but auto liability is the lone exception, continuing to see high single-digit to low double-digit rate increases due to claims inflation and increase in litigated claims
- While onshore upstream and downstream/midstream capacity is stable, the oilfield services sector (OFS) remains the most challenged casualty market

Upstream energy property market conditions are softening

In North America, commodity prices are lower than anticipated, with natural gas specifically reaching figures that hover around breaking even. Uncertainty over global demand and the looming fear of a recession are amplifying concerns for upstream energy companies that are assessing their CAPEX. To offset potential CAPEX constraints, upstream energy companies are assessing operational costs and tightening their belts by harnessing technology in new ways to reduce human capital costs and boost operational efficiencies. These incremental gains are helping companies bolster their balance sheets amid potentially uncertain supply-demand dynamics.

Much like the international markets, market conditions are softening, capacity is stable and underwriting appetite is increasing moderately, which is fuelling the competitive pressures to maintain and grow market share among underwriters in the region. Without any major losses since our last review in April, upstream energy companies with good loss histories can expect rate reductions of 5%-15%.

Regulatory changes are holding the door open for upstream energy companies to ramp up operations and exploration in oil and gas, but an uptick in activity needs to be addressed with a responsive and tailored risk strategy.

The downstream energy property market remains competitive

In the downstream refining and chemicals sector, echoes from the international downstream energy insurance market aren't quite stretching to the U.S.. Headline losses from refinery fires are not impacting premium reductions. Major losses have been covered by catastrophe bonds, and the downstream energy property insurance market in North America has maintained its profitability streak.

"Several hurricanes in the last five years have ranked [among the costliest in U.S. history](#)", but largely due to a benign 2025 hurricane season, underwriting profitability is cascading through the commercial market—even in typically catastrophe-prone areas such as the Gulf Coast. In some cases, aggressive reductions of 20% can be achieved, but renewals are achieving 10-15% reductions on average. A strong loss history remains a core factor in the rate reductions available.

Without any withdrawals from the market, capacity remains stable and placements are oversubscribed, keeping competitive forces at play.

Accurate asset valuation and transparent risk management remain prerequisites for smooth renewals.



Quantifying business interruption remains a perennial challenge

The relationship between property damage and business interruption remains in flux. Business interruption losses across both upstream and downstream sectors consistently outpace property damage losses. While underwriting competition keeps pricing competitive, there is heightened insurer focus on robust risk controls and clear exposure reporting to avoid underinsurance, especially given regulatory uncertainties and operational complexity in North America.

U.S. casualty

In 2025, the North American energy casualty market has faced varying conditions across different sectors.

Primary liability market capacity is stable. Manageable primary limits, risk-transfer attachment points, and ample overall capacity has kept capacity stable across the primary liability market, including workers' compensation (WC), general liability (GL), and auto liability (AL). Most sectors are experiencing flat-rated WC and GL renewals in 2025, although carriers have pushed for low single-digit rate increases on GL. AL remains the lone exception, continuing to see high single-digit to low double-digit rate increases due to claims inflation and increase in litigated

claims. Despite the challenges faced in AL where carriers are still struggling to reach profitable combined ratios despite a decade of rate increases on renewals, capacity in most sectors remains plentiful. Certain segments deemed to have less severity for workplace injuries and accidents are seeing a surplus of competitive capacity as primary carriers are focusing in on these risks. The oilfield services sector (OFS) remains the most challenged market.

General liability rates for upstream, midstream/downstream and chemical segments are seeing low single-digit increases or flat renewals. After the uptick in primary liability/lead umbrella capacity in 2024, some uncertainty remains in 2025 for offshore operators regarding available domestic capacity, as most of the capacity is now coming from the London market.

Workers' compensation remains profitable and stable for most sectors, with small rate increases requested at renewal. This line of business has kept many overall primary liability portfolios profitable for many carriers, offsetting the increasing pressure of social inflation on the AL and GL. Incumbent markets are seeking low rate increases but have been settling on flat renewals for most of the year. OFS companies and industrial contractors are seeing larger rate increases if they have negative loss records, driven by an uptick in severity of workplace injuries. Carriers are putting pressure on retentions and pricing for clients with losses in this segment, as the

industry is seeing an uptick in a WC claim turning into a litigated GL "action-over" claim.

Auto liability profitability is still a significant challenge for primary insurers after an uptick in litigated auto claims and settlements, particularly in areas like the Permian Basin, Louisiana, and South Texas. A well-funded plaintiff's bar continues to focus on commercial auto litigation, and accident frequency continues to trend upwards for many insured in the energy industry. Jurisdictions where activity is concentrated, and frequency of losses is high are now becoming plaintiff-friendly venues despite being considered neutral historically. Louisiana and South Texas continue to be challenging venues. This does not bode well for AL rates.

Excess liability market (lead umbrella and first \$25 million of programs) is impacted by claims inflation, causing lead umbrella carriers to focus on acceptable limits and more conservative premiums. As settlements continue to increase in size and scale, and nuclear verdicts continue to occur more frequently when claims are tried, carriers in all segments are scrutinizing limits deployed and premium charged to continue offering a sustainable lead umbrella product. Lead umbrella capacity remains limited for many industries, with a key market reducing lead capacity from \$10 million to \$5 million on energy risks. Capacity within the first \$25 million remains cautious due to lawsuit abuse issues in the U.S..

Excess liability market (above \$25 million) capacity remains stable, with most segments seeing a surplus of options in both the domestic and London markets. While the domestic excess liability market appears to be contracting somewhat, the London market has stepped in to fill the void in 2025. Insureds in all energy industries will find ample overall capacity to complete excess liability towers, with most segments seeing a stable year-over-year market. As we approach 2026, the excess liability marketplace has begun to stabilize.

Key energy sectors

- **Liability challenges in the OFS sector** endure, with capacity and limit challenges. Some primary carriers are reconsidering their participation due to historical profitability issues, adverse claims developments in prior years and a large uptick in severity of losses. Insureds with large auto fleets or challenging loss histories are facing increased retentions, larger rate increases and fewer primary liability options to offset incumbent-sought increases. Additionally, many carriers are cutting lead umbrella capacity from \$10 million to \$5 million for insureds within this segment, particularly with large fleets or severe claims on the loss record. Many carriers still participating in the primary liability segment for OFS companies are seeking larger rate increases due to profitability challenges and capacity remains cautious

when considering new risks as “action over” and auto liability claims continue to erode profitability

- **Upstream** capacity remains stable for onshore operators, and rate increases are expected to be moderate. The offshore market no longer has viable domestic capacity for primary liability
- **Midstream and downstream** segments have seen an increase in third-party contracting claims but remain stable in capacity. The lead umbrella marketplace is expected to seek high-single to low-double-digit rate increases and capacity is challenging, while capacity above \$25 million has seen lower single-digit increases

Trends to watch in 2026

- **Contractor injuries/limits:** Most of the larger claims impacting excess liability carriers continue to center around workplace injuries sustained by contractors. While many companies in the energy sector utilize tiered-limit requirements for evidenced excess liability contractual limits, the increase in claims settlements and awards are beginning to outpace these historical limit requirements. Hiring companies’ insurance programs are becoming more exposed to large workplace injuries or hired-trucking accidents, and clients should focus on revisiting these tiered limit requirements. Though a mechanism to offset exposure to their liability programs as the hiring

or partially negligent party for the last 10-15 years, this strategy may need to be reassessed

- **Continued underwriting focus on fleet safety programs:** As a result of the increase in AL settlements, insurers are paying closer attention to buyers’ fleet safety programs

“It is strongly recommended that buyers provide details of their auto safety programs in submissions and renewal presentations to differentiate themselves from their peer companies; they should also continue to focus on driver criteria improvement and consistency in applying standards for company vehicle use and policies”,

Blake Koen, Managing Director, U.S. Casualty, Willis Natural Resources, North America

Driver training, consistent motor vehicle record reviews, telemetric devices in vehicles as well as in-cabin cameras in heavy tractors, can all assist in differentiating risks for both primary AL and, more importantly, excess liability markets. However, if buyers are not actively enforcing in-force company fleet safety procedures, plaintiffs’ counsel have argued that lack of enforcement can increase the company’s negligence in a lawsuit.

Across property damage, business interruption and casualty risks, “success remains underpinned by a thoughtful and strategic approach”, William Helander, Regional Leader, Willis Natural Resources, North America. Brokers have a critical role in pinpointing the best point of

access to the insurance markets, and supporting energy companies to provide robust, data-driven risk information to help underwriters understand the risks and controls in place.

To find out how to optimize your risk strategy in a fractures market, contact:



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This update analyses our observations of the current global market conditions for renewable energy insurance and the impact this has on insurance buyers. This update is based on our observations of the market for our WTW clients and is not a whole of market review.

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