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.

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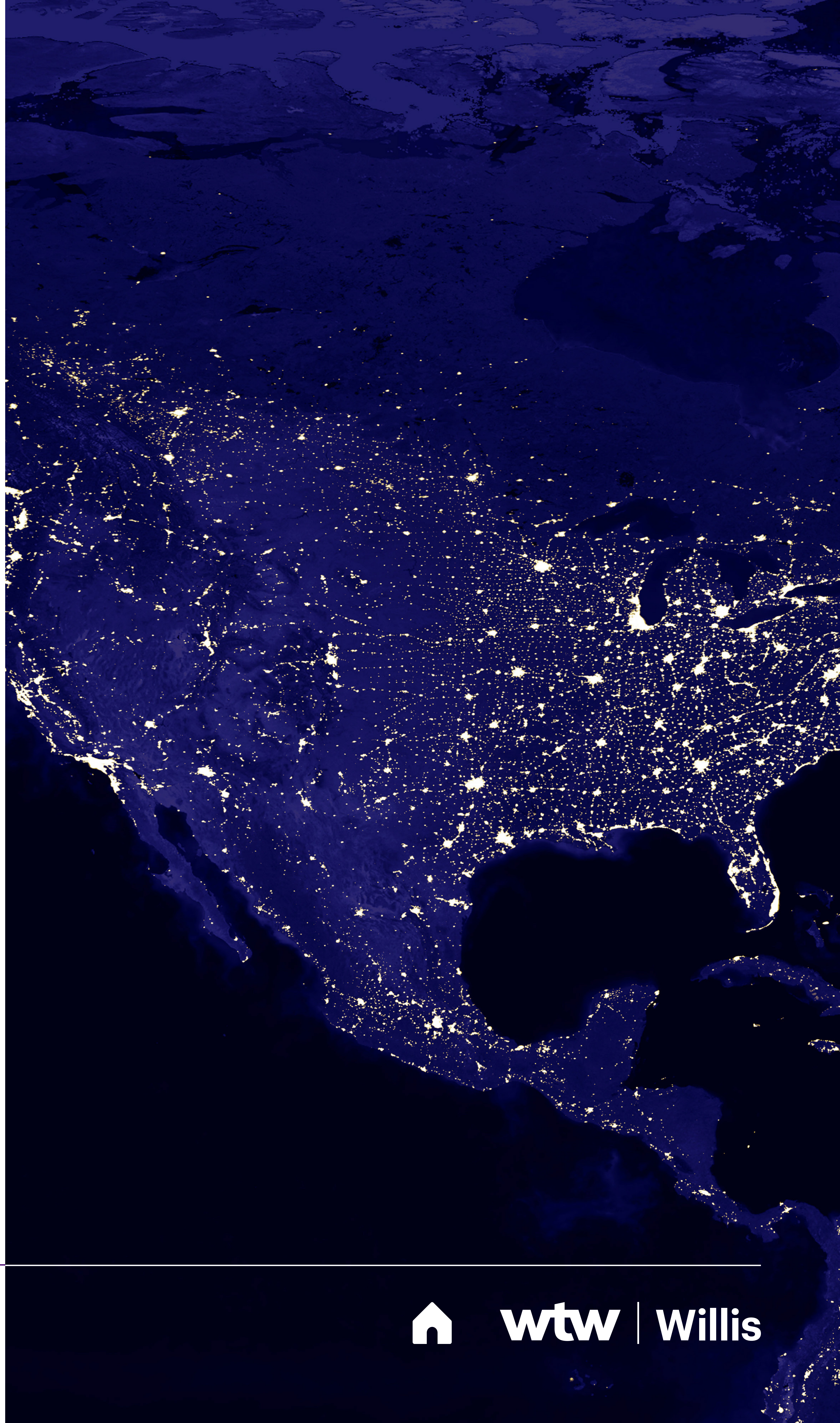
As many in the market pursue top line growth in a declining rating environment, the competition for market share will continue the softening cycle until something changes on the supply side of the curve. The largest reductions are isolated to tier- 1 risks, with tier 2 and beyond see more tempered renewal 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.

> 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

A market separation is emerging

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

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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Please read

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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