

# 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.

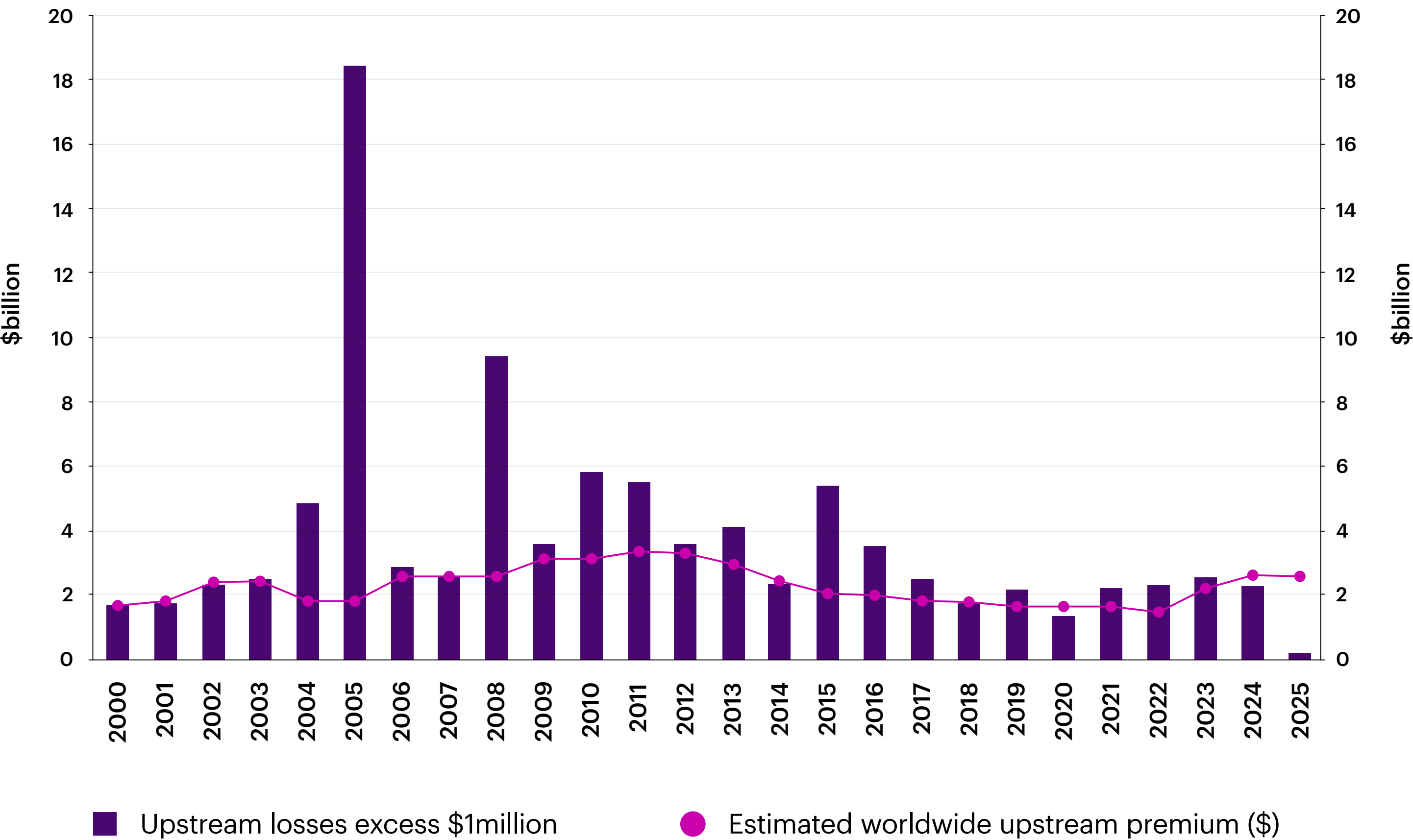
As ever, the scale of rating movements across the market varies considerably. Insurers report overall book movement of -5% to -10%. Large, clean operating accounts with a premium spend in excess of \$10 million have achieved in excess of 40% reductions when leadership has been challenged, with reductions 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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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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