



ENERGY, POWER & RENEWABLES INSURANCE MARKET UPDATE

H1 2024



ABOUT ALESCO

Alesco is a fast-growing and dynamic insurance broker that specialises in property, liability, accident and health, contingency and other related lines of business 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.

Clients across the globe rely on Alesco to identify, manage and mitigate risk, and to provide them access to the international insurance and reinsurance markets. Should clients require support in an individual specialism or the development of a single, comprehensive proposition across their portfolio, we have the proven skills and connections to serve both national and international interests.



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01 INDUSTRY OVERVIEW

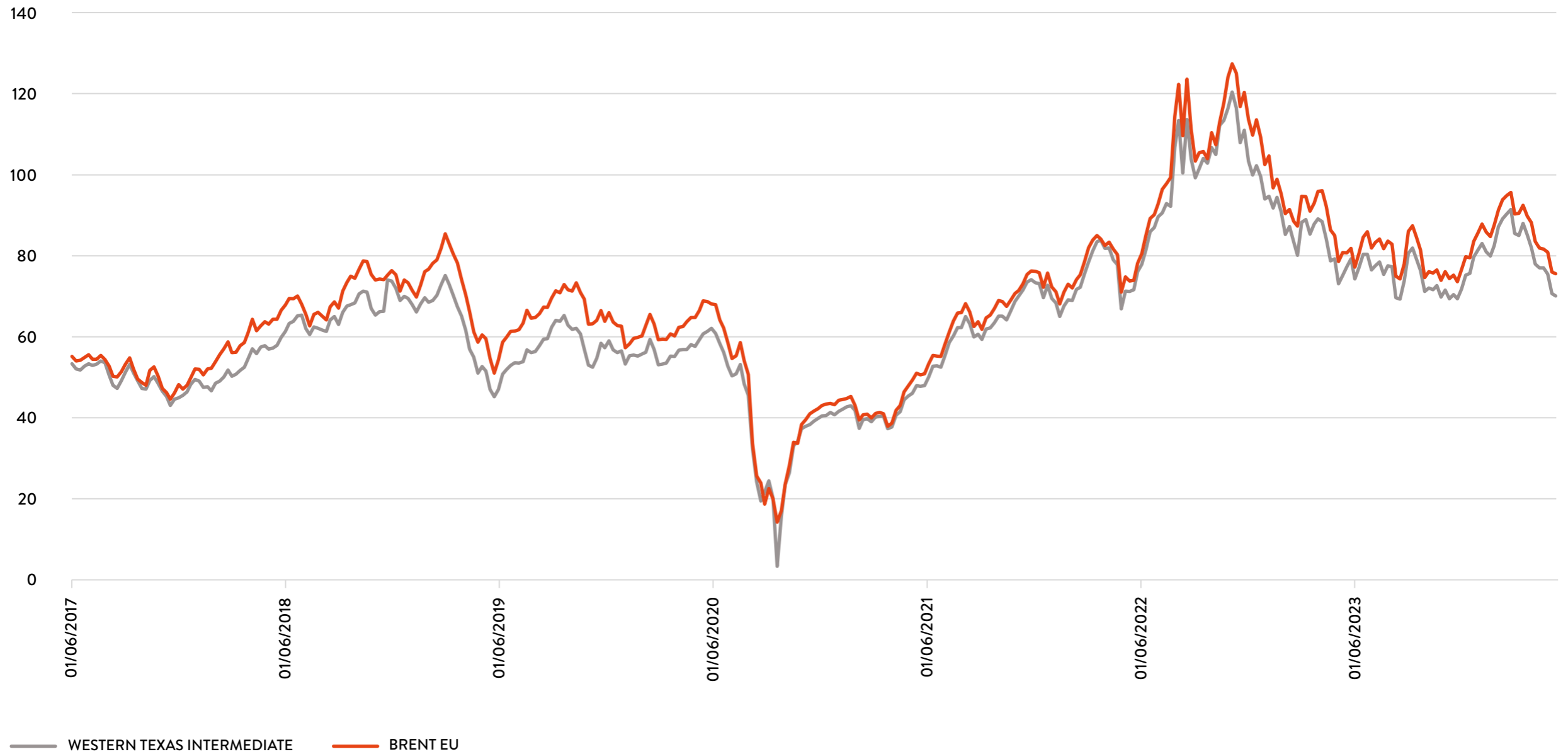


INDUSTRY OVERVIEW

- Oil prices remain at around USD80 per barrel (Brent) at year-end 2023, with most analysts predicting a price range of USD70–USD90 per barrel in 2024. Although the Israel-Hamas war has had a limited effect on oil prices so far, an escalation to the wider region could shrink global supply and lead to sharp price increases (World Bank). The EIA are forecasting a slowdown in global oil demand in 2024 due to a marked slowdown in economic development in the key demand centres of China and India.
- High commodity prices and efforts to replace Russian supplies are continuing to attract new investment into fossil fuel production in 2024, with increased production forecasts for North America, Norway, the Middle East/North Africa, and Australia.
- To support crude prices, OPEC has been quite active in maintaining voluntary cuts in production throughout 2023, with Saudi Arabia in particular looking to keep oil prices above their USD80 per barrel fiscal breakeven point. Nevertheless, OPEC overall has a sizeable amount of excess capacity, and some OPEC members are finding it harder to make further cuts, resulting in some resigning.
- North American refiners posted strong third-quarter 2023 profits, boosted by strong demand for fuel and refined products and robust refining margins. However, the global refining industry is expected to face more challenging conditions in 2024 as more capacity comes online and as a result of weaker global economic growth.
- Inflationary pressures continue to be an issue across all energy, power, and renewables sectors. 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.
- Environmental, Social and Governance (ESG) continues to be a hot topic. In excess of USD1.3B of capacity will not be available to clients who are not meeting Paris targets, Net Zero plans, etc., but there is still some way to go to achieve reasonable standardisation.

WEEKLY OIL PRICES SINCE JAN 2017 – DEC 2023

OIL PRICES – WEEKLY

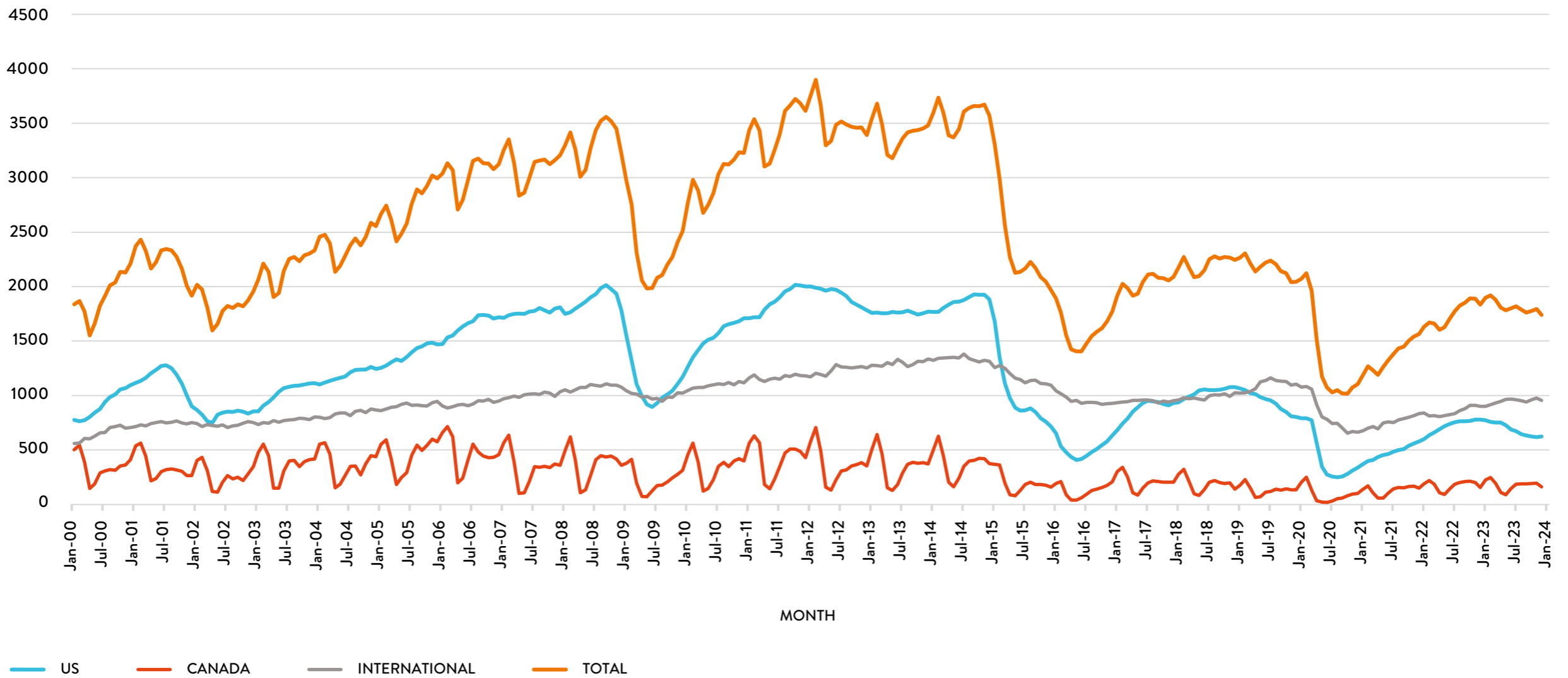


Source: <https://fred.stlouisfed.org/tags/series?t=oil>



MONTHLY RIG COUNTS SINCE JAN 2000 – DEC 2023

LAND AND OFFSHORE, ALL ASSETS



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





02 UPSTREAM



UPSTREAM

As we enter 2024, the Upstream market continues to be in a tussle with profitability and capacity. We are seeing the market tipping in the buyers favour, in the same way that it has for insurers own purchase of reinsurance at the January 1st renewal date. The dynamics that play out during the reinsurance renewals mirror, in many ways, the client experience of buying insurance as the treaty market buyers (underwriters) take advantage of better market conditions and capacity. By tasking their reinsurance brokers to obtain better pricing and conditions, the market will now struggle to sell upward ratings to their own client base.

2023 was a profitable year for energy reinsurers and a marginally profitable year for energy insurers. While the market has seen loss activity, much of it has been retained by insurers from the imposed self-insured retentions, or for which they traded rates. Notable losses include an offshore platform and the “EF” risk code sector, which includes the onshore upstream and midstream sector and onshore control of well. Insurers saw several losses that would have hurt, but for most, these would not have been enough to put the 2023 underwriting year into the red.

As previously stated, insurers have come out of 2023 with a marginally profitable year; single-digit rate increases would have been achieved on a blended basis, with client activity, including CAR, resulting in more premium dollars entering the market. Insurers hung on for their signings amidst increasing competition for market share, and as we enter 2024, we think this competition will lean into a softening rating environment for upstream energy.

In our Summer 2023 market update, we described the upstream market as being split into subsectors, and notwithstanding our comments above, we think that will continue to be the case. This split can simply be classed as onshore and offshore exposures. Fixed offshore assets and offshore drilling operations will continue to see an oversupply of capacity, which we think will result in rating reductions as the 2024 year of account develops. There is too much appetite and competition for market share on these types of accounts for it not to turn in the clients favour. The onshore exposures, including midstream and E&P, will be more challenging as 2023 losses have made these subsectors, on an isolated basis, less profitable.

We expect to see the market having more discipline and holding rate in these sectors, and this being said, we expect to see single-digit rises in this part of the book. As activity increases globally, we are seeing more construction taking place, from small expansions to large-scale developments. More markets are re-entering this space, and new leaders are emerging, so we anticipate a continuation of the current market rating in this area as capacity and appetite increases. Where underwriters are being pushed back on rate, a key focus will be on policy wordings across all of the Upstream energy subsectors, which they will be trying to tighten up, but with so many market options, it will be difficult for them to achieve this in the majority of instances.

As we enter 2024, the January 1st renewals in the upstream sector largely went flat or at single-digit rises, partly because of pre-agreed terms on multiyear policies or where brokers have returned to the leaders after heavy signings to improve a clients deal. As we sit here in January, it is always difficult to advise clients on what to expect in the coming year, but all signs appear to be that leaders will have to offer small reductions to maintain their position as the year develops. The total capacity for 2024 is up from 2023, and when we talk to insurers they often have a bigger line to deploy and want to write more Upstream business.

The compounding effect of this will be too much capacity chasing the premium dollars in the market. The litmus test will be the first reduction in the market where a broker has managed to secure better terms or rate and then is tasked with completing the placement. Where these placements fail to compete, it is a sign that they are incorrectly priced, but in this market, we do wonder whether the market has the conviction to walk away from these renewals, as they do not have the confidence of placements failing to complete without them. Markets are being pushed to try to make up for a premium income gap, and brokers will take advantage of this dynamic as they too, in turn, fight for market share in 2024.



TOP 10 LARGEST UPSTREAM ENERGY LOSSES IN 2023

DOL	AREA	COUNTRY	LOCATION	LAND/ OFFSHORE	CAR/OP	CATEGORY 1	CATEGORY 2	CATEGORY 3	CAUSE	PD/ ACTUAL US\$	BI/ ACTUAL US\$	OEE/ ACTUAL US\$	TOTAL/ ACTUAL US\$
7/7/2023	North America	Mexico	Bay of Campeche	Offshore	OP	Platform	Platform	Structure	Fire + explosion/ VCE	725,000,000			725,000,000
8/15/2023	Africa	Nigeria	Niger Delta	Offshore	OP	Rig	Inland barge		Capsize	55,000,000			55,000,000
4/1/2023	Australasia	Australia	Victoria	Offshore	CAR	Platform	Pipeline	Flowline	Unknown	54,890,000			54,890,000
5/20/2023	Europe	UK	North Sea	Offshore	OP	MOPU	FPSO	Transformer	Unknown		43,000,000		43,000,000
4/10/2023	Far East	China	South China Sea	Land	CAR	Platform	Pipeline	Pipeline	Unknown	31,000,000			31,000,000
4/8/2023	North America	USA	North Dakota	Land	OP	Well	Equipment	Equipment	Mechanical failure	22,571,240			22,571,240
5/2/2023	Africa	Congo	Unknown	Offshore	Maint	MOPU	FSO	Riser	Corrosion	20,000,000			20,000,000
3/27/2023	Far East	Malaysia	Unknown	Offshore	OP	Well	Well		Unknown			18,800,000	18,800,000
5/21/2023	Middle East	Qatar	Persian Gulf	Offshore	CAR	Platform	Platform		Heavy weather	17,000,000			17,000,000
7/2/2023	North America	USA	West Virginia	Land	OP	Well	Well		Blowout no fire			13,340,000	13,340,000

Total 2023 Upstream Losses (48): USD1,189,174,621

Total Top 10 Losses: USD1,000,601,240 = 84%

Operational (40): USD1,039,534,621

Construction (8): USD149,640,000

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 USD1M 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 December 27, 2023.

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9/26/2022	Europe	UK	Shetland Isles	Offshore	OP	Platform	Platform rig	Compressor	Faulty work/op error		400,000,000		400,000,000
12/15/2022	Caribbean	Trinidad	Atlantic Ocean	Offshore	OP	Rig	Jackup	Leg/ SpudCan/ Mat	Mechanical failure	92,000,000			92,000,000
2/2/2022	Africa	Ghana	Unknown	Offshore	OP	Well	Well		Unknown	60,000,000			60,000,000
9/19/2022	North America	USA	GOM - GC	Offshore	OP	Well	Well		Blowout no fire			50,300,000	50,300,000
9/21/2022	Far East	Pakistan	Khyber Pakhtunkhwa	Land	OP	Plant	Plant	Factory/ warehouse	Fire no explosion	45,000,000			45,000,000
4/14/2022	Europe	Norway	Rogaland County	Offshore	OP	Vessel	Crane/pipe barge	Crane	Mechanical failure	37,000,000			37,000,000
5/3/2022	Europe	UK	North Sea	Offshore	OP	Well	Well		Blowout no fire		10,600,000	21,300,000	31,900,000
6/27/2022	Africa	Egypt	Mediterranean	Offshore	CAR	SSCS	SSCS		Anchor/jacking/trawl	30,000,000			30,000,000
9/2/2022	Far East	Malaysia	Sarawak	Offshore	OP	Pipeline	Pipeline		Anchor/jacking/trawl	30,000,000			30,000,000
1/23/2022	Europe	Norway	North Sea	Offshore	OP	SSCS	SSCS		Corrosion	13,600,000	16,000,000		29,600,000

Total 2022 Upstream Losses (95): USD1,417,933,416

Total Top 10 Losses: USD805,800,000 = 57%

Operational (84): USD1,298,322,916

Construction (11): USD119,610,500

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03 MIDSTREAM

MIDSTREAM

INDUSTRY OUTLOOK

Investment in midstream infrastructure globally has been on the rise in recent years, with several factors contributing. Firstly, the growth of unconventional oil and gas production, such as shale oil and gas, has created a need for expanded midstream capacity. These resources are often located in remote areas, requiring new pipelines, storage facilities, and processing plants to transport and process the extracted energy commodities. Secondly, the globalisation of energy markets has led to increased demand for midstream infrastructure. As energy consumption continues to grow worldwide, there is a need to transport and distribute energy commodities across different regions and countries. This has resulted in the construction of new pipelines, terminals, and export facilities to facilitate international trade.

Furthermore, the transition towards cleaner energy sources, such as natural gas, has also driven investment in midstream infrastructure. Natural gas is considered a cleaner alternative to coal and oil, and its demand has been increasing globally. This has led to the construction of new pipelines, liquefied natural gas (LNG) terminals, and other infrastructure to transport and distribute natural gas.

Investment in midstream infrastructure is not limited to a specific region or country. It is a global trend, with significant investments being made in various parts of the world. For example, the US has seen a surge in midstream investment due to the shale revolution, with the construction of new pipelines and export terminals. Similarly, countries like Canada, Australia, and Qatar have also witnessed substantial investments in midstream infrastructure to support their energy exports.

The strong commodity price in 2023 resulted in a reversal of the typical ownership of midstream infrastructure in the US market, with large public midstream operators purchasing plug-and-play private equity-backed single system portfolio companies in order to create super systems and consolidate various basins/fields. Likewise, the Canadian market also consolidated, with several major M&A's taking place across the Montney shale.

Globally, there remains attractive standalone midstream business, although typically in certain regions, such as the Middle East and Asia, the oil and gas value chain is integrated, and therefore midstream assets are purchased within a package in either the upstream or downstream insurance market. South and Central America remains a strong growth area for midstream businesses with major infrastructure investment and typically an ever growing focus on the American 'MLP' model, particularly for pipeline infrastructure.



INSURANCE MARKET OUTLOOK

Midstream business continues to be written by both the upstream and downstream insurance markets in London. The latter market has withdrawn somewhat from the class over the last 3–4 years to focus on core underwriting appetite following some negative loss years, and so the typical competition for large private/small public midstream operators remains in the traditional upstream market. For any insureds with a need for a significant limit, a mixture of both markets is recommended with a layered approach.

2023 saw an average rate growth of 8% across physical damage and business interruption coverages, which, combined with inflation related increases in insured values and indemnities, increased the premium pool in London significantly. With that said, the unprecedented wildfires experienced in the conventional oil and gas plays in Canada have given the market a cause for concern, as the initial quantum was rumoured to be significant. This loss event has matured in a positive light for underwriters, with many insured's reserving lower than expected however, it has served as a warning for the market, who have reacted with wording and attachment point amendments for the specific coverages that have given them the loss, namely, the Denial of Access Extensions of Coverage.

These amendments have been implemented globally but will be felt most keenly in the Canadian market, where terms were on the broader end of the spectrum.

Given the fall in reserve and the overall premium uplift experienced in 2023, expectations for the market in 2024 are a story of stability, with likely base rate rises in the low to mid-single digits for clean business combined with the aforementioned condition changes.

The domestic market in North America continues to harden, and the delta between it and London remains enough for insureds to continue to utilise capacity in the latter. With that said, appetite for certain gold standard risks is increasing, particularly in the Canadian domestic market, where the London 2024 condition changes will be felt the hardest.

Globally, the Middle East and Asian markets continue to have a strong appetite within the downstream portfolio for the limited standalone midstream business, and any catastrophe-risk-exposed areas, such as parts of South America, can be a challenge.



04 DOWNSTREAM

DOWNSTREAM

Overall, 2023 was a relatively benign year for Downstream Insurers, with a return to profitability however, this does need to be tempered with what has been a deteriorating claims position for both the 2021 and 2022 years of account. However, last year's profits are undoubtedly leading to an increase in capacity, both from existing insurers and with the introduction of new MGAs into the market space. Taken together, we expect this to translate into better news for clients as we enter 2024 with a softening of the market in terms of rating. Of course, the level of softening will be dependent on a number of factors, including the usual considerations of loss record, risks deemed to be well engineered, and the amount of Nat Cat exposure (i.e., risk location). Generally speaking, the recent January 2024 Reinsurance Treaty season has been relatively straightforward, and we are therefore not expecting this to overtly impact the stance of the direct market and the softer rating trend that we had seen in Q4 2023.

Areas that continue to be a cause for concern and that require continued monitoring are ESG, Business Interruption, and Valuations:

- ESG: There still remains 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 will be important to keep a close eye on how their positions could affect future market capacity, particularly in certain sectors of the Downstream book.
- Business Interruption: This coverage continues to be under the spotlight across the market, not least as a result of the significant part it has played in losses in recent years, particularly in the US. We expect insurers to continue to push for tighter parameters within the BI Volatility Clauses to try and reduce the uncertainty of any potential claim amounts. From a clients perspective, the best way to push back on this is to provide ever more detailed and up-to-date 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, has been a highly inflationary environment across the globe. Many clients we have seen 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 be under-insurance then the market will look to impose a rating load to compensate.

In summary, for 2024, we look to be shifting towards a market in the clients favour and particularly those well engineered risks with a good loss record can expect to see a move towards reductions in rating.



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\$
5/15/2023	North America	USA	Texas	Land	Maint	Refinery	Secondary process	Reformer	Fire + explosion/VCE	35,000,000	862,296,000	897,296,000
7/14/2023	North America	USA	Louisiana	Land	OP	Petrochemical	Olefins		Fire + explosion/VCE	275,000,000	275,000,000	550,000,000
8/6/2023	Europe	Belgium	Antwerp	Land	OP	Refinery	Secondary process	Cracker	Fire no explosion	63,600,000	309,000,000	372,600,000
11/2/2023	Europe	Germany	Rhineland-Palatinate	Land	Maint	Petrochemical	Olefins		Fire no explosion	54,000,000	254,000,000	308,000,000
10/6/2023	Europe	Germany	Bavaria	Land	OP	Refinery	Secondary process	Hydrocracker	Fire no explosion	5,200,000	100,000,000	105,200,000
4/20/2023	Europe	Spain	Galacian Region	Land	OP	Refinery	Primary process	Crude unit	Fire no explosion	25,000,000	66,000,000	91,000,000
7/7/2023	Australasia	Australia	Victoria	Land	Maint	Refinery	Secondary process	Compressor	Impact	4,550,000	68,640,000	73,190,000
8/18/2023	North America	USA	Tennessee	Land	Su/d	Pipeline	Pump Station	Compressor	Fire + explosion/VCE	39,200,000	15,000,000	54,200,000
5/4/2023	North America	USA	Florida	Land	OP	Chemical	Chemical		Fire + explosion/VCE	11,500,000	26,000,000	37,500,000
2/28/2023	Australasia	Australia	Western Australia	Land	OP	Chemical	Chemical	Cooling system	Collapse	10,000,000	24,600,000	34,600,000

Total 2023 Downstream Losses (52): USD2,912,498,221

Total Top 10 Losses: USD2,488,986,000 = 86%

Operational (37): USD1,477,033,000

Construction (15): USD1,435,485,221

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DOL	AREA	COUNTRY	LOCATION	LAND/ OFFSHORE	OP/ CAR	CATEGORY 1	CATEGORY 2	CATEGORY 3	CAUSE	PD/ACTUAL US\$	BI/ACTUAL US\$	TOTAL/ ACTUAL US\$
6/8/2022	North America	USA	Texas	Land	OP	Gas plant	LNG		Fire + explosion/VCE	225,000,000	1,231,200,000	1,456,200,000
7/9/2022	North America	USA	Oklahoma	Land	OP	Gas plant	Gas plant/trans	Piping	Fire + explosion/VCE	456,750,000	890,250,000	1,347,000,000
6/3/2022	Europe	Austria	Vienna	Land	Maint	Refinery	Primary process	Crude unit	Mechanical failure	40,000,000	639,800,000	679,800,000
9/21/2022	North America	USA	Ohio	Land	OP	Refinery	Primary process	Crude unit	Fire + explosion/VCE	75,000,000	495,500,000	570,500,000
9/27/2022	Eastern Europe	Poland	Plock	Land	OP	Refinery	Secondary process	Hydrocracker	Fire + explosion/VCE	123,000,000	440,000,000	563,000,000
3/1/2022	Middle East	UAE	Abu Dhabi	Land	OP	Petrochemical	Olefins	Reactor	Mechanical failure	10,000,000	360,000,000	370,000,000
6/28/2022	Middle East	Qatar	Ras Laffan	Land	OP	Gas plant	Gas plant/trans	Turbine Steam	Fire no explosion	13,600,000	228,440,000	242,040,000
4/14/2022	North America	USA	Kansas	Land	OP	Gas plant	Gas plant/trans		Fire + explosion/VCE	160,000,000	45,000,000	205,000,000
1/15/2022	South America	Peru	Callao Province	Offshore	OP	Tank farm/ terminal	Tank farm/terminal	Pipeline	Unknown	100,000,000	72,000,000	172,000,000
5/19/2022	Far East	South Korea	Ulsan	Land	Su/d	Refinery	Secondary process		Fire + explosion/VCE	28,000,000	122,500,000	150,500,000

Total 2022 Downstream Losses (114): USD8,805,379,617

Total Top 10 Losses: USD5,756,040,000 = 65%

Operational (90): USD7,183,371,024

Construction (24): USD1,622,008,593

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05 POWER

POWER

For the last two years, the power market has been through a phase of correction or hardening. This has been both in terms of the adequacy of the rate and also terms and conditions. The early indicators for 2024 show that this phase of the market cycle will continue, but we would expect that the pace at which it does will start to show signs of slowing down. The aggressive nature of the correction will not continue to the same degree, but the market place will continue to be challenging.

After the chaotic January 2023 Reinsurance Treaty renewals, the absence of a peak wind event in the Atlantic/Gulf has led to what is being termed a more orderly 2024 treaty renewal season, with more capacity coming into the treaty market. Despite this, the power market still remains exposed to a number of different issues, which may lead it to look to maintain the status quo for the immediate future.

- Loss activity has continued over the course of 2023. The figures for 2022 look to be in excess of USD2B and whilst early to say, 2023 looks to be heading in the same direction. Therefore, there still remains an overall focus on flight to quality but with very different approaches being taken dependent on the characteristics of each specific risk.
- Global inflation is still an issue, but the push that has been made by insurers over a period of time to ensure that clients are reviewing the adequacy of their values now seems to have reached a point of equilibrium.

Supply chain/lead times remain a real concern, with the business interruption component of losses a clear area of focus. Almost every customer is exposed to this to some degree. In a world still recovering from a global pandemic and also affected by the movement of goods, the repair and delivery time for large/complicated items of machinery and equipment has extended enormously.





Catastrophe exposures remain an area of concern (and cost) to insurers. The availability and willingness to deploy Cat capacity in critical areas will still remain an issue. In 2024, this won't only be in the traditional territories associated with wind and earthquake but also in other areas of the world. For example, Latin America is forecasting a higher than normal El Nino phenomenon in Colombia for example, and could see drought conditions affecting the productivity of hydroelectric plants.

Insurance capacity for Power remains theoretically high, with no major exits in 2023. There has been some new MGA capacity appear in 2023, both in London and overseas, and Tokio Marine HCC will also take a more meaningful position in 2024.

However, there still remain a relative small number of markets that would classify themselves as leaders. This means that there is unlikely to be any significant degree of market disruption in the immediate future. Indeed, the market still remains the antithesis of a subscription market, with every market offering their own specific pricing for their participation. Depending on order size, this can have the effect of diluting the initial pricing offered by lead markets.

We have also seen interest and demand for parametric products increase over the last 12 months, most recently in Turkey, which has been impacted by cost and availability of capacity. This is clearly a sector that has become more widely understood, and competition in that space has led to this so called "alternative product" become more accessible.

One area that still remains unaffected by any slight change in market direction is coal. As we have seen from the recent COP 28 conference resolution, there is broad global agreement to transition away from fossil fuels.

There are many parts of the world that remain highly reliant on coal fired power plants, and in this respect, it remains our job to support them towards the transition to renewable energy, which in most cases is the long term goal. Notwithstanding, available capacity for coal remains limited, but working closely with the market continues to find solutions for many of our coal clients as they move closer to transition.

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\$
7/20/2023	South America	Argentina	Neuquen Province	Land	OP	Power Thermal	Gas	Turbine Gas	Unknown	12,000,000	16,000,000	28,000,000
7/14/2023	South America	Argentina	Buenos Aires	Land	OP	Power Thermal	Gas	Turbine Gas	Unknown	7,500,000	15,750,000	23,250,000
7/30/2023	Middle East	Qatar	Doha	Land	OP	Power Thermal	Gas	Turbine Steam	Unknown	1,120,000	11,830,000	12,950,000
2/13/2023	Australasia	New Zealand	North Island	Land	OP	Power Substation	Substation		Windstorm	7,625,000	1,900,000	9,525,000
6/28/2023	North America	USA	Texas	Land	OP	Power Thermal	Gas	Turbine Steam	Fire + explosion/VCE	9,000,000		9,000,000
2/10/2023	South America	Argentina	Buenos Aires	Land	OP	Power Substation	Substation	Generator/power	Mechanical failure	7,500,000		7,500,000
6/22/2023	North America	Canada	Saskatchewan	Land	CAR	Power Thermal	Gas	Heat exchanger	Faulty work/op error	2,800,000	3,800,000	6,600,000
3/1/2023	South America	Argentina	Buenos Aires	Land	OP	Power Substation	Substation	Generator	Mechanical failure	5,460,000		5,460,000
7/31/2023	North America	USA	Colorado	Land	OP	Power Thermal	Gas	Turbine Gas	Mechanical failure	5,000,000		5,000,000
7/1/2023	Europe	Denmark	North Sea	Offshore	CAR	Power T&D	T&D	Cable (elec/control)	Faulty work/op error	4,600,000		4,600,000

Total 2023 Power Losses (33): USD155,325,000

Total Top 10 Losses: USD111,885,000 = 72%

Operational (25): USD143,125,000

Construction (18): USD12,200,000

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DOL	AREA	COUNTRY	LOCATION	LAND/ OFFSHORE	OP/ CAR	CATEGORY 1	CATEGORY 2	CATEGORY 3	CAUSE	PD/ ACTUAL US\$	BI/ ACTUAL US\$	TOTAL/ ACTUAL US\$
2/18/2022	Europe	UK	Kent	Land	OP	Power Thermal	Gas	Structure	Windstorm	34,100,000	204,800,000	238,900,000
1/24/2022	Europe	Malta	Malta	Offshore	OP	Power T&D	Cable (elec/control)	Cable (elec/control)	Anchor/jacking/ trawl	24,500,000		24,500,000
2/13/2022	North America	Mexico	Baja California	Land	OP	Power Thermal	Gas	Generator/power	Fire no explosion	23,786,000		23,786,000
6/15/2022	Europe	Italy	Sicily	Land	Su/d	Power Thermal	Multifuel	Turbine	Faulty work/op error	3,812,900	19,364,500	23,177,400
9/7/2022	Europe	Spain	Huelva	Land	Maint	Power Thermal	Gas	Turbine Gas	Unknown	5,390,000	15,770,000	21,160,000
11/20/2022	South America	Peru	Lima	Land	OP	Power Thermal	Gas	Turbine Gas	Mechanical failure	15,600,000	2,870,000	18,470,000
5/4/2022	Europe	Netherlands	North Sea	Offshore	OP	Power T&D	Cable (elec/control)	Cable (elec/control)	Unknown	18,000,000		18,000,000
8/23/2022	Middle East	UAE	Abu Dhabi	Land	OP	Power Thermal	Gas	Turbine Gas	Impact	10,250,000	7,500,000	17,750,000
9/7/2022	Africa	Morocco	Safi	Land	OP	Power Thermal	Coal	Boiler/steam	Corrosion	8,000,000	9,500,000	17,500,000
11/10/2022	Europe	UK	Devon	Land	OP	Power Thermal	Gas	Turbine Steam	Mechanical failure	2,038,000	14,560,000	16,598,000

Total 2022 Power Losses (88): USD584,966,515

Total Top 10 Losses: USD419,814,400 = 72%

Operational (65): USD521,212,115

Construction (23): USD63,754,400

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 USD1M or more at the time of loss. Note that 2022 figures are subject to further development, both in terms of frequency and severity of losses. As of December 27, 2023.



06 CASUALTY

CASUALTY

UNITED STATES

- The January 2024 Reinsurance Treaty renewals appear to have been completed without inflicting the pain on direct insurers that was anticipated by some, given the messaging from reinsurers in the build-up to renewal.
- We therefore expect the outlook through 2024 to stabilise with the rating environment plateauing and capacity, for the most part, remaining intact, albeit with the usual year-to-year capacity flux.
- For those layers that are perceived to be more than adequately rated, the competitive landscape may make moderate rate reductions available where insurers are eager to retain business. Outside of this, we expect general rating pressure in the low to mid-single-digit range as carriers aim to keep pace with inflationary pressures.
- There are, of course, pockets of the market that remain challenging, no more so than for the utilities, where wildfire capacity is being withdrawn by the energy mutuals, leading to buyers being forced to make significant alterations to the structure of their excess layers.
- Auto exposures continue to be in the spotlight, and the London market continues to offer alternative risk transfer/structured solutions in excess of primaries to the larger, more challenging fleets.





INTERNATIONAL

The cost of claims in the casualty insurance market is on the rise. Factors such as inflation, increased litigation, and higher medical costs are contributing to the increase in claims expenses.

- New market entrants are putting pressure on existing insurers, who are trying to push rate increases in light of the increased claims costs. The increase in capacity has also seen the emergence of new lead markets, putting additional pressure on pricing.
- Insurers are universally restricting coverage for both climate change and PFAS due to the building momentum behind litigation. PFAS (per- and polyfluoroalkyl substances), a group of widely used, forever chemicals linked to human health issues, has caused alarm within the casualty sector in certain quarters. PFAS is being spoken of as a looming market exposure that could eclipse asbestos.

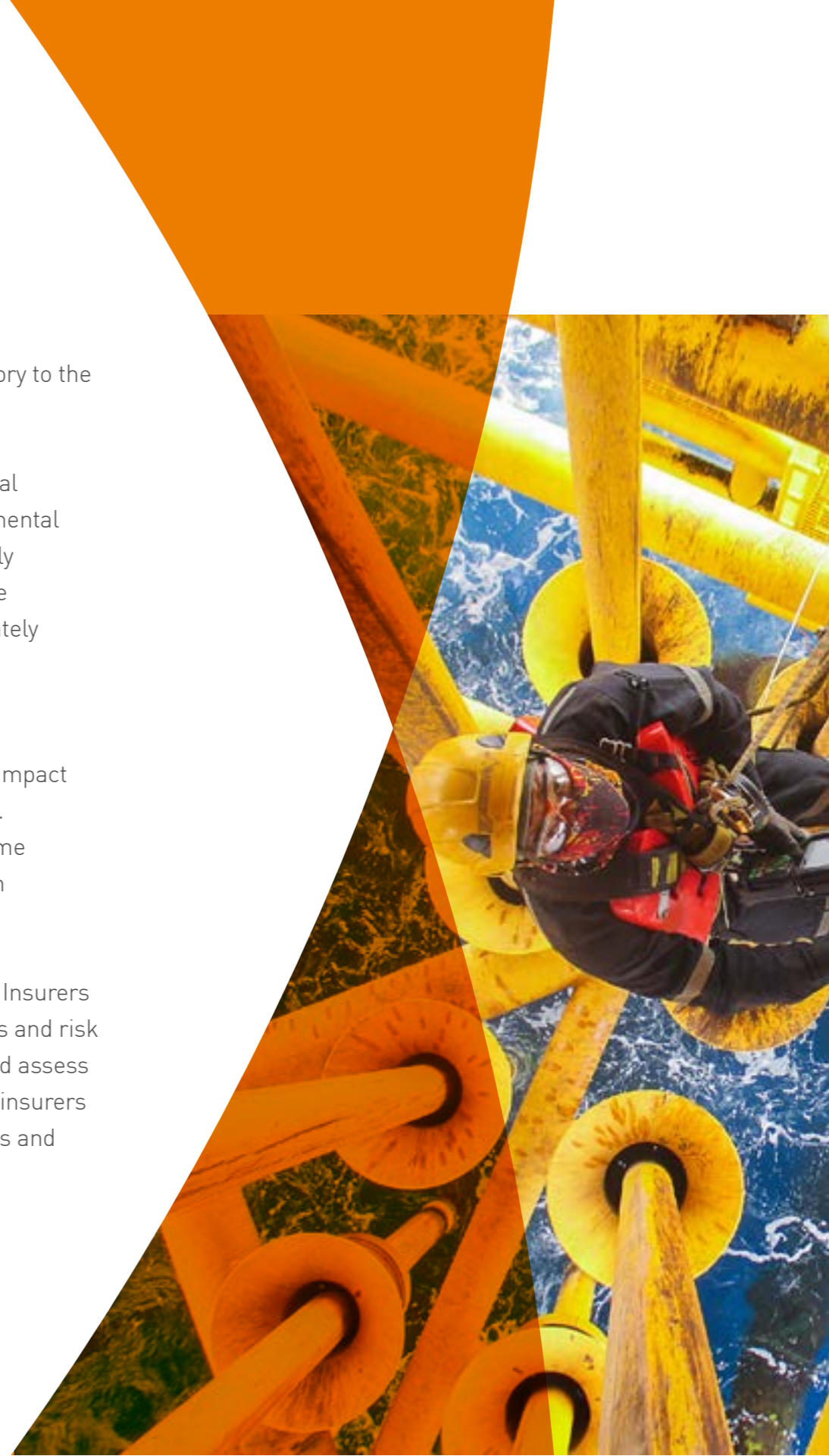
Recent litigation and claims have primarily focused on the chemical and manufacturing sectors, but from an energy standpoint, PFAS is a critical component within industrial firefighting foam, with viable alternative solutions not currently available. Groundwater and watercourse contamination with PFAS following a fire is a major exposure focus for our insureds, given the predicament of recent exclusions and the absence of alternative foam.

- We are predicting a stable market in 2024, with insurers looking to push rate moderately, but ultimately we expect to see only minimal increases, if any. Where insurers have good loss experience, we may start to see reduced premiums.

ENVIRONMENTAL IMPAIRMENT LIABILITY

The Environmental Liability Insurance market is experiencing several notable trends and developments.

- Increasing demand: There is a growing awareness and concern about environmental risks and liabilities among businesses and their stakeholders. This has led to an increased demand for Environmental Liability Insurance coverage.
- Expanding coverage options: Insurers are offering a wider range of coverage options to address various environmental risks. This includes coverage for pollution liability, remediation costs, natural resource damages, legal defence expenses, and image restoration costs.
- Stricter underwriting criteria: Insurers are implementing stricter underwriting criteria to assess the environmental risks associated with potential policyholders. They may require detailed risk assessments, environmental audits, and evidence of risk management practices.
- Reduced premiums: Premiums for Environmental Liability Insurance in the London market have been decreasing due to an injection of new capacity and greater competition amongst carriers.
- Reduced premiums are somewhat contradictory to the rising costs of environmental remediation.
- Regulatory changes: Changes in environmental regulations and laws can impact the Environmental Liability Insurance market. Insurers are closely monitoring regulatory developments to ensure their coverage remains compliant and adequately protects policyholders.
- Climate change considerations: Insurers are increasingly taking into account the potential impact of climate change on environmental liabilities. This includes assessing risks related to extreme weather events, sea-level rise, and changes in environmental conditions.
- Collaboration with risk management experts: Insurers are partnering with environmental consultants and risk management experts to better understand and assess environmental risks. This collaboration helps insurers develop more comprehensive coverage options and risk management solutions.





07 RENEWABLES



RENEWABLES

SOLAR PV

The market in 2023 experienced some notable Natural Catastrophe (NatCat) events, including hail, tornadoes, wildfires, floods, and wind claims globally, from North America to the Middle East to Australia. The last year has shown that these events are becoming less confined to specific regions or seasons, and this has put further pressure on insurers to manage their NatCat exposure by restricting coverage for these perils with sub-limits and higher deductibles.

Pivotal to this market dynamic is the requirement for projects, often driven by lender requirements, to obtain adequate NatCat cover limits sufficient to protect against Probable Maximum Loss (PML). Only a few years ago, the renewable energy market provided full limits for weather events such as Severe Convective Storm (SCS), but now, in order to provide sufficient coverage above the primary sub-limits available, project owners increasingly need to obtain excess layers, which can come at a significant additional cost. The primary sub-limits available for SCS can range from anywhere between USD10M to USD50M depending on the risk profile.

Despite the solar PV sector's vulnerability to NatCat, the premium pool continues to grow, with more large-scale projects continuing to enter the market. Premium rates have stabilised or marginally increased throughout 2023, and there is now more follow insurer capacity available with continued corporate pressure to write business supporting the energy transition.

A further stabilisation is anticipated in 2024, with a potential for premium rate reductions for good claims ratio portfolios, particularly in regions with more benign weather conditions.



ONSHORE WIND

The primary focus in this sector has been high profile technology issues for some of the top Original Equipment Manufacturers (OEMs) brought on by the rapid evolution of MW capacity for turbines and the lack of standardisation in the commercial race. These issues have put a halt to certain models, with the re-engineering required delaying production lines, adding warranty obligations, and, in some cases, liquidated damages liabilities to the OEM balance sheet woes.

With this backdrop, insurers are being cautious to monitor the reliability of certain models going forward.

Obsolete technology is also becoming more into focus where there are often no suitable replacement turbines or components readily available for older turbine models. This can conclude in longer outages with higher Business Interruption (BI) claims. Insurers are trying to manage their exposure to identified obsolete technology with Actual Cash Value (ACV) and tighter caps on BI indemnity.

The rates in 2023 saw stabilisation leaning to 2.5%–10% increases on established turbines. The main variable for newer, larger MW turbines being deductible level, which can scale dramatically depending on the insurer pool, territory, and turbine make/model.

Expectations in 2024 are for a more welcome approach to a slightly broader range of OEM turbine manufacturers brought on by the commercial landscape that Developers/Owners are faced with. The scrutiny of warranties, Operations and Maintenance (O&M) arrangements, and spare parts' strategy are of even greater importance to ensure contracts are robust and lead times are managed with the backdrop of the global supply chain pressures and constraints.

OFFSHORE WIND

The majority of markets remain cautious about floating technologies and other pilot/demonstrator projects, not intending to provide effective R&D guarantee financing to industry.

In H1 2024, we expect to see just 6–10 leading markets prominent in the sector and circa 40 others providing active or passive following capacity.

Total capacity in the market for Construction All Risks (CAR) Cover on Offshore Developments of Fixed Bottom WTGs and Offshore Sub Stations (OSS) and Radial Export Cable Systems is circa USD1B from the major players with additional following capacity, all however dependent on quality as described above and no exposure to Natural Catastrophe or regional geopolitical risks.

The capacity available for the operational phase, including UK Offshore Electricity Transmission (OFTOs), is much higher, especially when this comes to market separate from a construction placement.

Premium rates will be stable and low for established operational programmes that remain loss free. Construction offers will depend greatly on the usual variables, including project size, location, design/technology, developer track record, etc. Any developer with a non-standard project profile should take great care in planning, contracting, and budgeting. They should start the insurance procurement process as early as possible.

BESS (BATTERY ENERGY STORAGE SOLUTIONS)

This sector has experienced rapid growth over the last year, with many experienced renewable energy lead markets now more comfortable with providing support, not just for BESS projects linked to solar and/or wind projects, but also for stand-alone grid balancing projects. After an initial spate of high profile claims, the sector experienced a less volatile year in 2023, though insurers remain extremely cautious about the potential for high temperature thermal runaway fires. From an indemnification perspective, much analysis of spacing between the units, on-site fire suppression, and, more recently, approval and ongoing compliance with local fire services is critical.

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\$
2/12/2023	North America	USA	Florida	Land	OP	Power Renewable	EFW	Various	Fire no explosion	157,800,000		157,800,000
10/4/2023	Far East	India	Sikkim	Land	OP	Power Renewable	Hydro	Structure	Flood	35,600,000	58,800,000	94,400,000
6/25/2023	South America	Chile	Tinguiririca Valley	Land	OP	Power Renewable	Hydro	Pipeline	Flood	12,850,000	70,800,000	83,650,000
8/28/2023	Europe	UK	Scotland	Offshore	OP	Power Renewable	Wind	Turbine	Unknown	42,000,000		42,000,000
4/4/2023	North America	Canada	British Columbia	Land	OP	Power Renewable	Hydro	Turbine	Fatigue	5,950,000	29,000,000	34,950,000
8/5/2023	North America	USA	Hawaii	Land	OP	Power Renewable	Solar	Solar panels	Fire no explosion	5,800,000	750,000	6,550,000
6/23/2023	North America	USA	Nebraska	Land	OP	Power Renewable	Solar	Solar panels	Ice/snow/freeze	5,900,000	535,000	6,435,000
5/6/2023	Europe	Netherlands	North Sea	Offshore	T&C	Power Renewable	Substation	Cable (elec/ control)	Anchor/jacking/trawl	4,400,000		4,400,000
6/8/2023	North America	USA	Kansas	Land	CAR	Power Renewable	Wind	Transformer	Faulty work/op error	2,000,000	1,800,000	3,800,000
2/13/2023	Australasia	New Zealand	North Island	Land	OP	Power Renewable	Hydro	Various	Windstorm	2,540,000	1058000	3,598,000

Total 2023 Renewable Losses (19): USD454,827,000

Total Top 10 Losses: USD437,583,000 = 96%

Operational (14): USD441,227,000

Construction (5): USD13,600,000

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TOP 10 LARGEST RENEWABLE ENERGY LOSSES IN 2022

DOL	AREA	COUNTRY	LOCATION	LAND/ OFFSHORE	OP/ CAR	CATEGORY 1	CATEGORY 2	CATEGORY 3	CAUSE	PD/ACTUAL US\$	BI/ACTUAL US\$	TOTAL/ ACTUAL US\$
7/4/2022	Far East	Pakistan	Azad Kashmir	Land	OP	Power Renewable	Hydro	Structure	Collapse	18,580,000	233,800,000	252,380,000
5/1/2022	North America	USA	Texas	Land	OP	Power Renewable	Solar	Solar panels	Ice/snow/freeze	124,000,000	9,536,000	133,536,000
7/28/2022	Far East	Taiwan	Taiwan Strait	Offshore	CAR	Power Renewable	Wind	Cable (elec/ control)	Unknown	67,500,000		67,500,000
9/7/2022	South America	Peru	Puno	Land	OP	Power Renewable	Gas		Fire no explosion	19,600,000	35,600,000	55,200,000
12/13/2022	North America	USA	Texas	Land	CAR	Power Renewable	Solar	Equipment	Windstorm	30,200,000	4,000,000	34,200,000
7/28/2022	South America	Chile	Antofagasta Region	Land	OP	Power Renewable	Solar	Transformer	Earthquake	1,000,000	30,200,000	31,200,000
3/24/2022	North America	USA	Kansas	Land	OP	Power Renewable	Wind	Transformer	Mechanical failure	780,000	28,900,000	29,680,000
1/31/2022	Europe	Netherlands	North Sea	Offshore	CAR	Power Renewable	Wind	Structure	Collision	25,581,000	1,563,000	27,144,000
4/4/2022	Europe	UK	Scotland	Offshore	OP	Power Renewable	Wind		Mechanical failure	24,000,000		24,000,000
8/15/2022	Europe	France	Le Havre	Offshore	CAR	Power Renewable	Wind	Structure	Collision	22,900,000		22,900,000

Total 2022 Renewable Losses (48): USD816,570,593

Total Top 10 Losses: USD677,740,000 = 83%

Operational (33): USD585,591,452

Construction (15): USD230,979,141

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 USD1M or more at the time of loss. Note that 2022 figures are subject to further development, both in terms of frequency and severity of losses. As of December 27, 2023.



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 modelling.

- Total shareholder equity at September 30, 2023, was USD3.4B. (31 December 2022: USD3.1B).
- Written premiums for 2023 are USD543M (2022 USD522M).
- 2022 was a relatively high loss year (USD693M) resulting in an underwriting loss of USD229M. Total accident year 2022 losses were USD337M property and USD753M pollution but this was offset by a significant reserve reduction in prior years (USD406M).
- 2023 H1 investment income was USD285M.
- Despite the challenging financial conditions in 2022, Everen has announced a further dividend of USD200M in September 2023.
- Everen increased their limit from USD400M to USD450M from 1 January 2022.
- Everen has increased their aggregation limit from USD1.2B to USD1.35B from 1 January 2022.
- The final loss positions for 2021 and 2022 has resulted in flat 2022 premiums and a stable TWP position for most members.
- Overall membership is now 68
 - New members in 2020: United Refining; Pembina Pipelines; Ecopetrol; Federated Co-operatives
 - New members in 2021: North West Redwater Partnership; Formosa Plastics Corporation; Edison International; Los Angeles Department of Water and Power
 - Husky was acquired by Cenovus
 - New member in 2022: CEZ (leaver in 2022- BHP Billiton Americas Inc.)
 - New members in 2023: Xcel Energy Inc., Inpex, Ergon Inc., and Portland General Electric Company
- 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 68 AS AT 1 SEPTEMBER 2023

68 AS AT 1 SEPTEMBER 2023

Asia (2)

CNOOC Limited
INPEX Corporation

Australia (4)

Beach Energy Limited
Santos Ltd
Origin Energy Limited
Woodside Petroleum Limited

Canada (11)

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

Suncor Energy Inc.

TransCanada PipeLines Limited

Europe (15)

BASF SE
CEPSA S.A.
CEZ a.s.
Electricité de France (EDF)
Eni S.p.A.
Equinor ASA
Galp Energia SGPS S.A.
LyondellBasell Industries
MOL Hungarian Oil and Gas PLC
OMV Aktiengesellschaft
Ørsted A/S
Repsol, S.A.
Royal Vopak N.V.
TOTALEnergies SE
Yara International ASA

Latin America (3)

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

United States (33)

APA Corporation
Arena Energy LLC
Buckeye Partners L.P.
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 U.S.A
Hess Corporation
HF Sinclair
LOOP LLC
Los Angeles Department of Water & Power
Marathon Oil Company
Marathon Petroleum Corporation
Motiva Enterprises LLC
Murphy Oil Corporation
Occidental Petroleum Corporation
Phillips 66 Company
Plains All American Pipeline LP
Portland General Electric Company
Sempra
The Williams Companies Inc.
United Refining Company
Valero Energy Corporation
Westlake Chemical Corporation
Xcel Energy Inc

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



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