



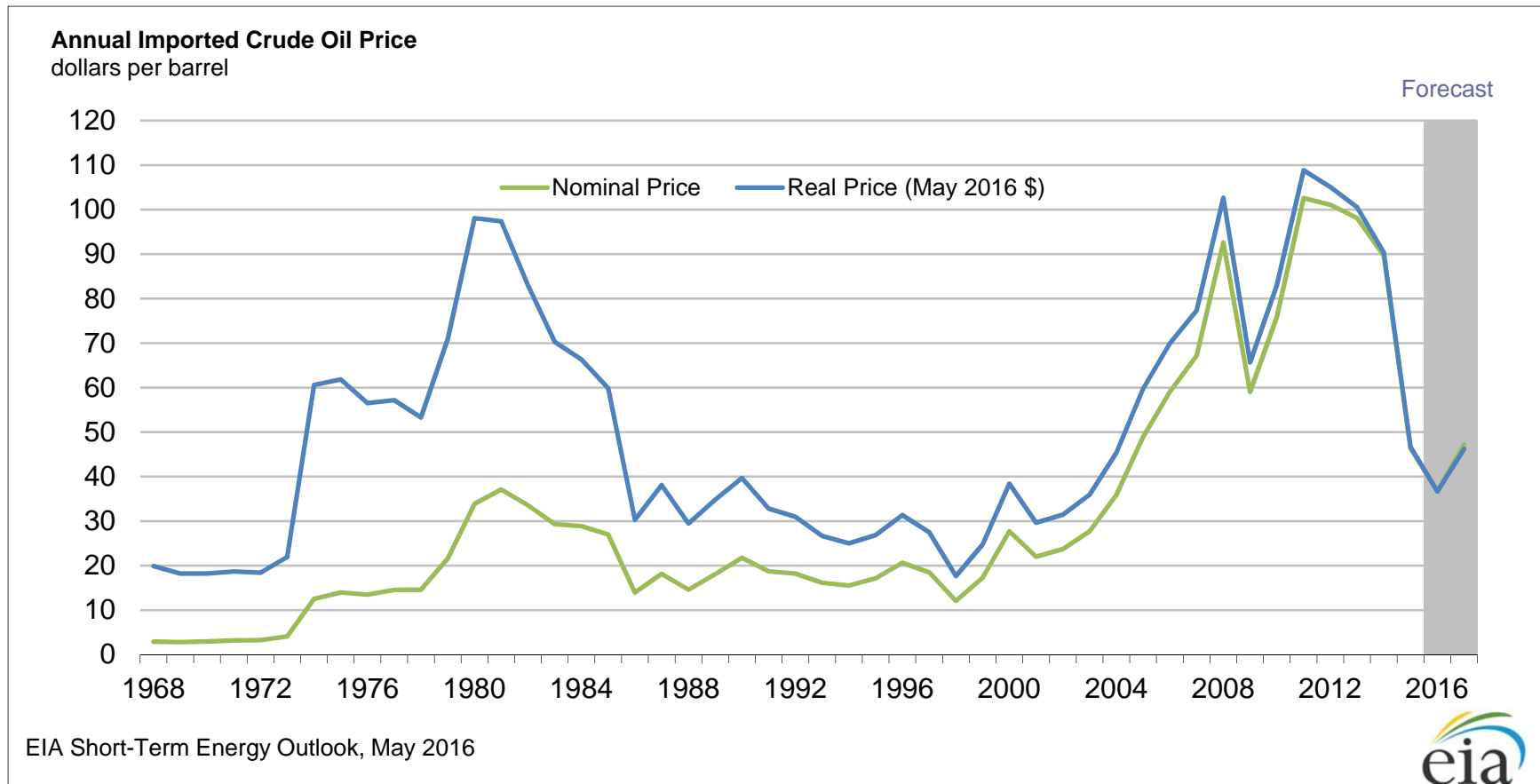
Upstream Energy Insurance

- ▶ Oil Price Effect on the Industry
- ▶ Pricing environment
- ▶ Capacity
- ▶ Loss Impact
- ▶ Supply and Demand
- ▶ Reinsurance Effect

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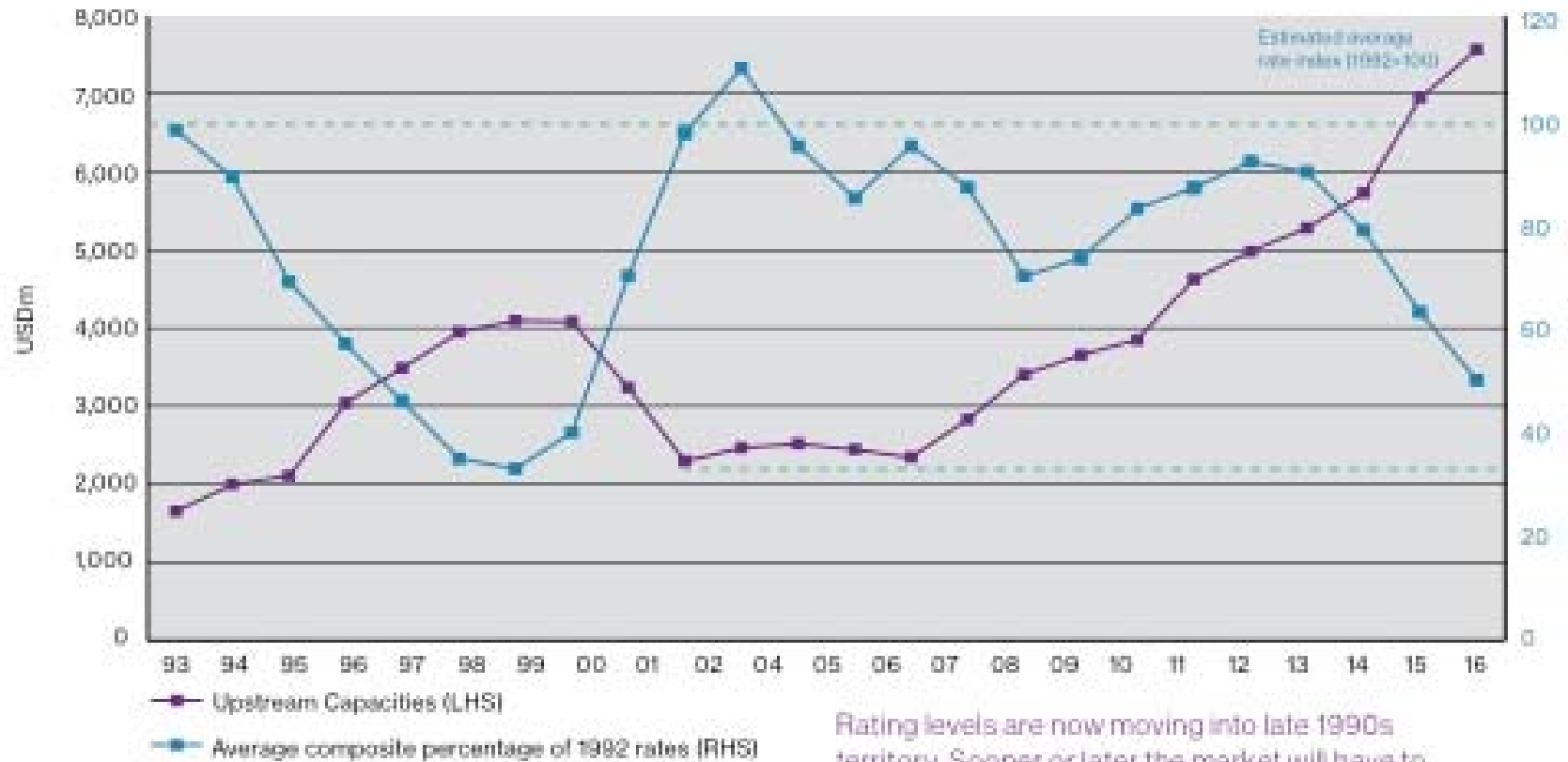
Oil Price Effect

Conventional wisdom suggest historic low oil Prices?



Pricing Effect

Rates continue to fall, while capacity rises?



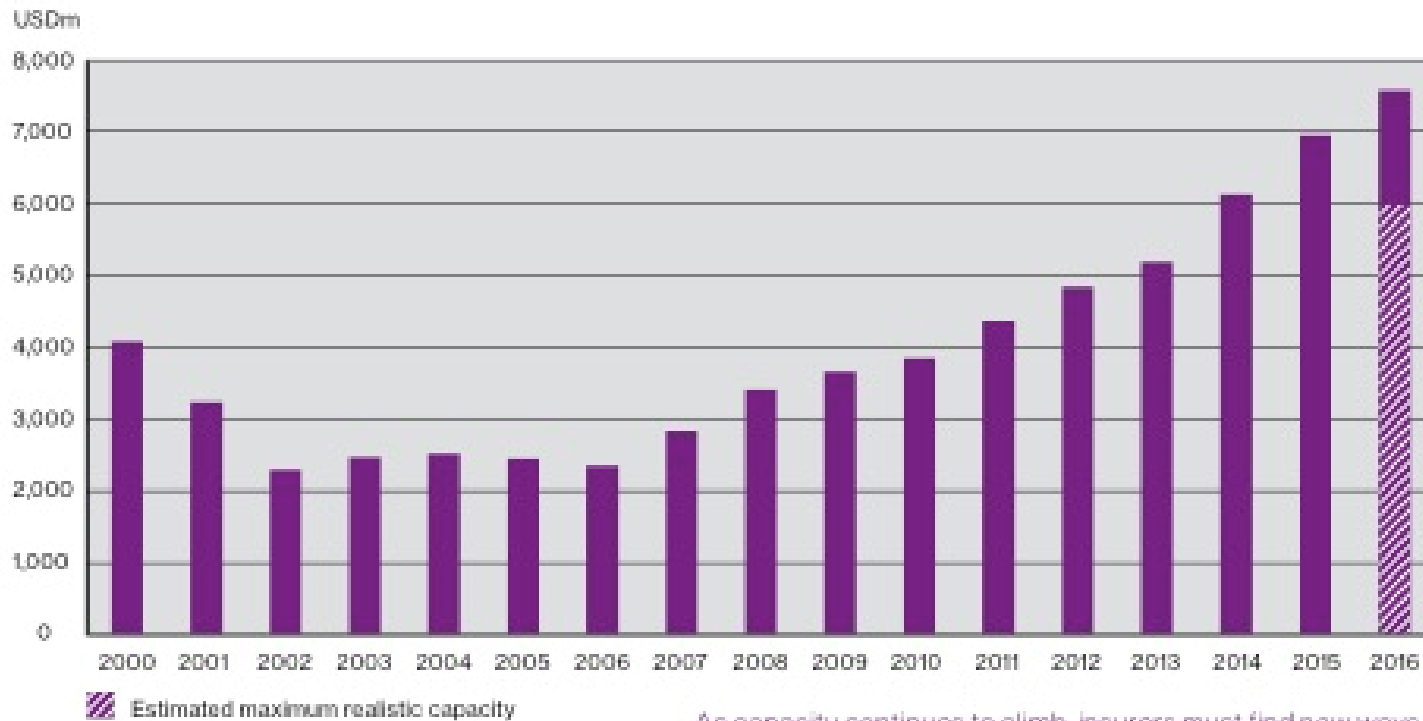
Rating levels are now moving into late 1990s territory. Sooner or later the market will have to turn – but when?



Offshore Property Insurance Capacity

Capacity has increased every year since 2006.

Figure 1 - Upstream Operating insurer capacities 2000-2016 (excluding Gulf of Mexico Windstorm)

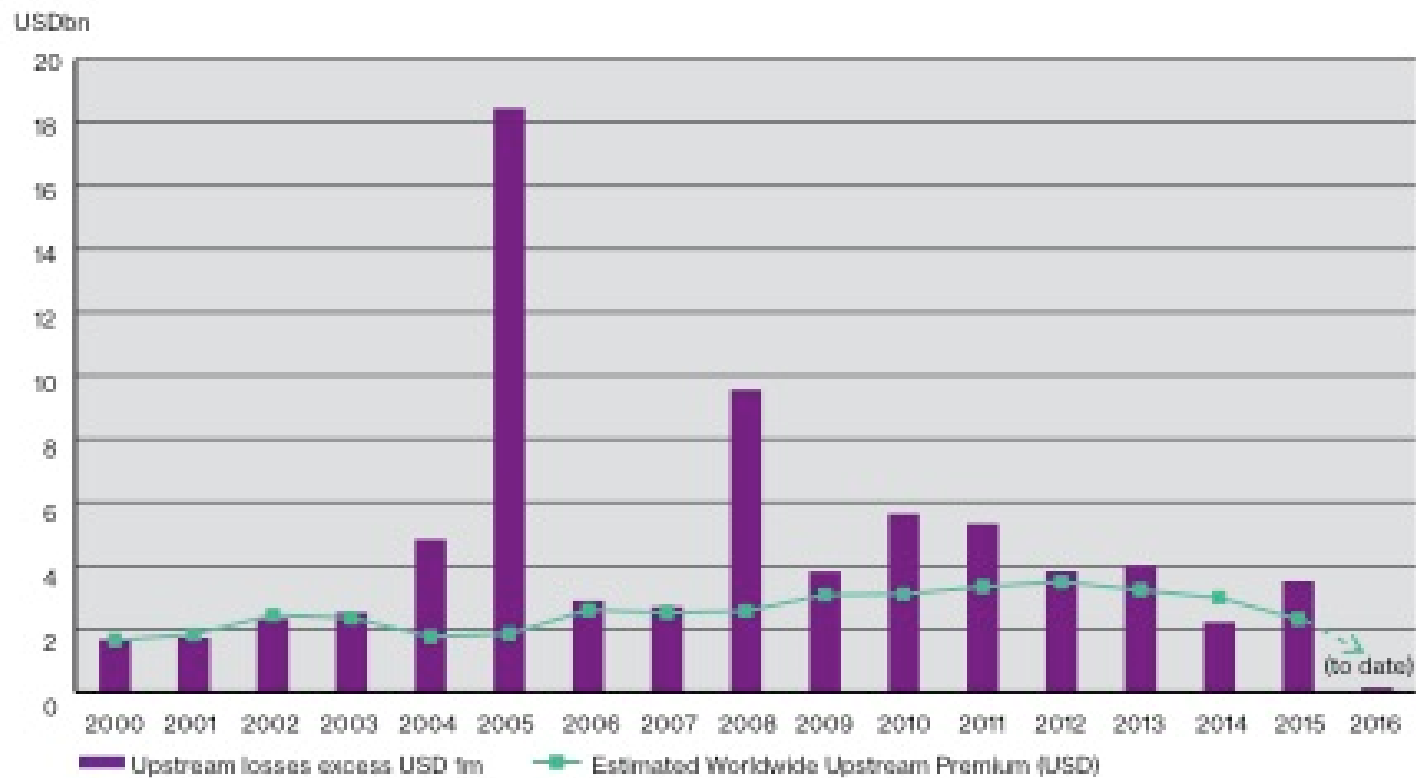


As capacity continues to climb, insurers must find new ways to differentiate themselves to their client base.

Source: Willis Towers Watson

Low Loss Incidents

Figure 2 - Upstream Energy losses 2000- 2016 (excess of USD 1m) versus estimated Upstream premium income



Source: Willis Towers Watson/Willis Towers Watson Energy Loss Database as of March 1 2016 (figures include both insured and uninsured losses)



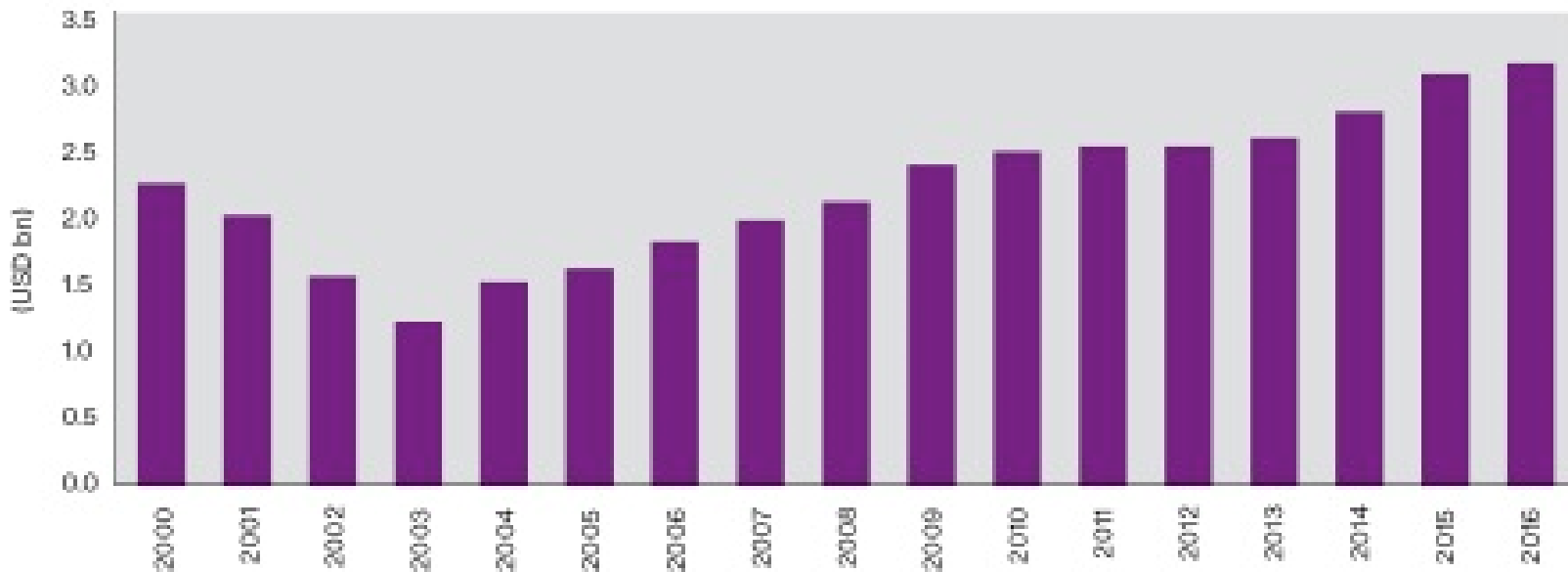
Large Losses

2015 Losses have startled the Upstream market, but prices continue to fall.

Year	Type	Cause	Region	Land / Offshore	PD USD	OEE USD	BI USD	Total USD
2014	Rig	Blowout	Latin America	Offshore	65,000,000	30,000,000	16,500,000	111,500,000
2014	Platform	Piling operations	Latin America	Offshore	95,147,421			95,147,421
2014	Platform	Subsidence/landslide	Asia Pacific	Offshore	89,000,000			89,000,000
2014	Well	Blowout	North America	Land		61,600,000	11,500,000	73,100,000
2014	Platform	Unknown	North America	Offshore	68,000,000			68,000,000
2014	Well	Blowout	Middle East	Offshore		50,000,000	10,000,000	60,000,000
2014	Well	Mechanical failure	Asia	Offshore	56,000,000			56,000,000
2014	Rig	Mechanical failure	North America	Offshore	7,000,000		44,000,000	51,000,000
2015	Platform	Fire + explosion/VCE	Latin America	Offshore	780,000,000			780,000,000
2015	MOPU	Explosion no fire	Latin America	Offshore	330,000,000		112,500,000	442,500,000
2015	Rig	Leg punch through	Latin America	Offshore	240,000,000			240,000,000
2015	Platform	Collision	Middle East	Offshore	200,000,000			200,000,000
2015	Pipeline	Ruptured pipeline	North America	Land	190,000,000			190,000,000
2015	MOPU	Faulty workmanship	Latin America	Offshore	116,000,000			116,000,000
2015	MOPU	Corrosion	Latin America	Offshore	100,000,000			100,000,000
2015	Well	Blowout	Latin America	Offshore		90,000,000		90,000,000
2015	Well	Blowout	Middle East	Offshore		80,000,000		80,000,000
2015	Pipeline	Corrosion	Middle East	Offshore	60,000,000			60,000,000
2015	Rig	Leg punch through	Middle East	Offshore	60,000,000			60,000,000
2015	MOPU	Unknown	Africa	Offshore	60,000,000			60,000,000
2015	MOPU	Unknown	Africa	Offshore	50,000,000		6,540,000	56,540,000
2015	MOPU	Corrosion	Australasia	Offshore	50,000,000			50,000,000

Capacity in the Liability Market shows similar robustness

Figure 1 - International Liability Market Capacity (USD bn)



Source: Willis Towers Watson



Energy Market Results

Even with all this Energy Market still profitable

Energy	Gross written premium	Combined ratio	Underwriting result			
	£m	%	£m			
	2011	1,523	2011	87.9	2011	130
	2012	1,727	2012	76.0	2012	275
	2013	1,668	2013	83.0	2013	201
	2014	1,532	2014	83.4	2014	181
	2015	1,414	2015	76.0	2015	247

Lloyd's of London Annual Report 2015



Supply and Demand

- ▶ Supply of insurance capacity continues to increase driven by:
 - Continuing profitability
 - Low incidents of natural catastrophe
 - Low interest rates
 - Protection of market share
- ▶ Demand is falling rapidly as the Oil industry adjusts to the new normal
 - Reduced capacity
 - Reducing coverages



The Reinsurance Effect

- ▶ No shortage of capacity in the Reinsurance market.
 - Not since the 1990's have we seen this abundance of reinsurance capacity
 - Little differentiation between carriers, other than pricing and security
- ▶ Reinsurance market needs to reexamine how it looks at the energy market.
 - Need to align better with the energy industry
 - Need to smooth economic effects on the insurance industry
- ▶ Few new products offered to the direct market.



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