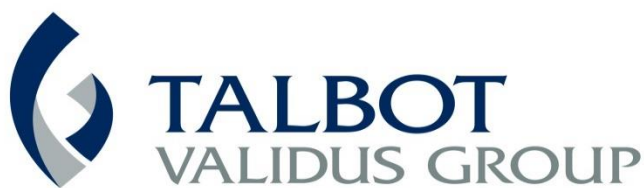


# IUMI 2017 TOKYO



## Offshore Energy Committee

**James McDonald, Acting Chairman**



# Agenda

- Committee Membership
- Workshop Theme & Topics
- Market Overview
- Underwriting Challenges
- Oil Price Overview
- Conclusion

# 2017 OEC membership

- Michele Cibrario  
Swiss Re, Italy
- Helle Hammer (PF Liaison)  
CEFOR, Norway
- Alex Harrison  
LOC, Australia
- Jan Hugo Marthinsen  
Gard, Norway
- James McDonald (Acting Chairman)  
Talbot, UK
- Olivier Perraut  
Scor, France
- Colin Sprott (EC Liaison)  
Navigators, UK
- James Straker–Nesbit (Secretary)  
LMA, UK
- Frank Streidl  
Zurich, UK
- Toshi Suzuki  
MSI, Japan
- Sameh Yousif  
Misr, Egypt

# Who are You ?

1. Energy insurer
2. Reinsurer
3. Service provider
4. Other marine insurer
5. Broker
6. Other (e.g. Associations, etc)

# Are we Sinking or Staying Afloat?



1. Still plenty of margin in Energy
2. Only margin without a cat event
3. Little to no margin left
4. There is negative margin
5. Time to close the account down

# Disruptive Times: Sinking or Staying Afloat?



[offshore-energy@iumi2017.com](mailto:offshore-energy@iumi2017.com)

# 2017 OEC Workshop



- **IPP - Faulty Design – Have You Read the Wording?**  
Paul Lowrie, Partner, Clyde & Co, UK
- **FPSO Turret Design and Operational Integrity**  
Dr Andrew Newport, Technology Director, SBM Offshore, Monaco
- **FLNG Technical Challenges**  
Spencer Clark, Director, Lloyd Warwick International, UAE
- **Expert Panel Q&A**  
Paul Lowrie  
Dr Andrew Newport  
Spencer Clark  
Alex Harrison  
Jan-Hugo Marthinsen

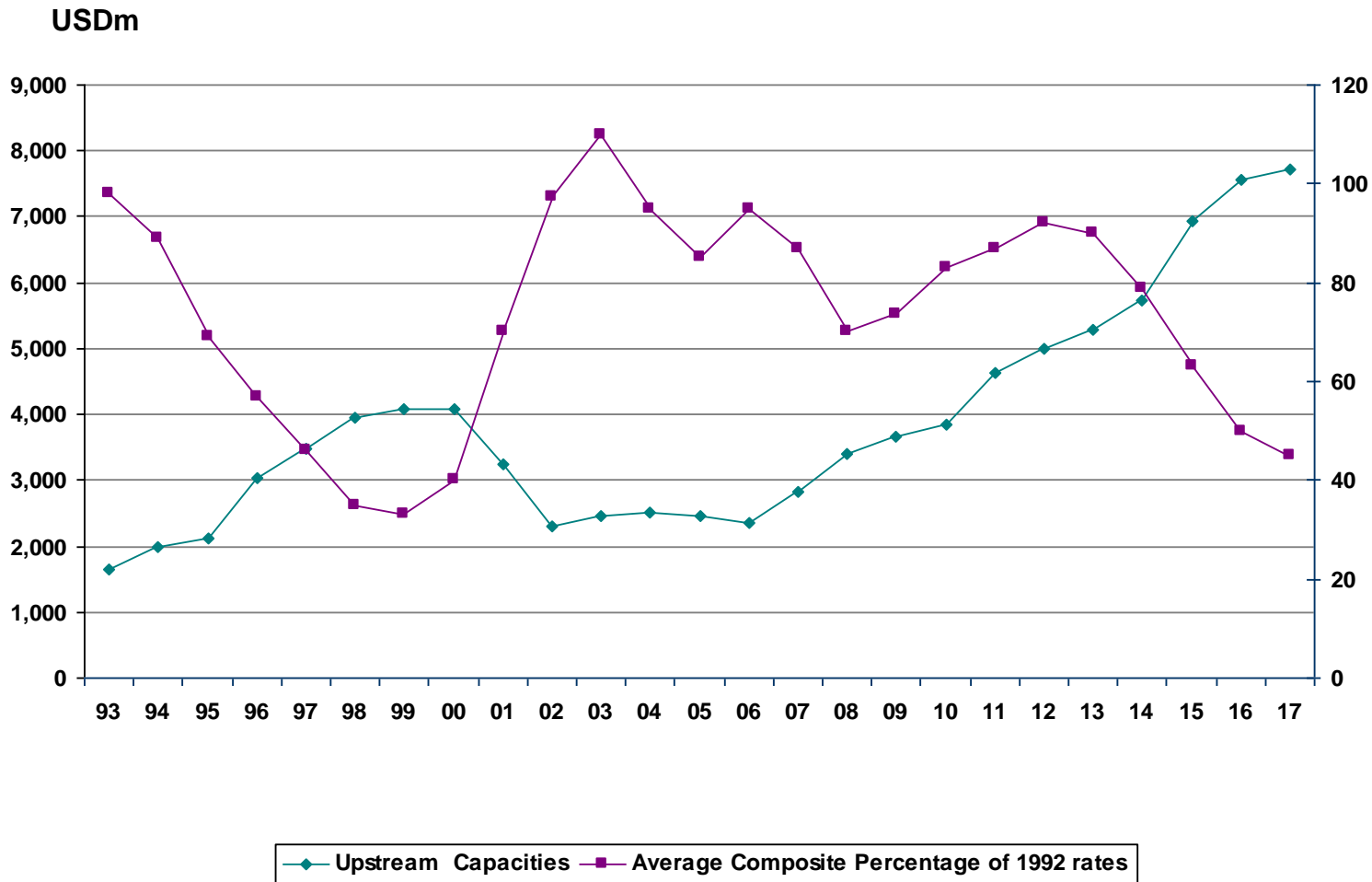
# Offshore Energy Market Overview



# Upstream Capacity versus Rating Levels, 1993 – 2017



2017 TOKYO  
September 17-20



Source: Willis Towers Watson

# Upstream Energy losses excess of USD100 million, 2015-16



Type	Cause	Region	Land / Offshore	PD US\$	BI US\$	Total US\$
MOPU	Mechanical failure	Africa	Offshore	350,000,000	950,000,000	1,300,000,000
Platform	Fire + explosion	Latin America	Offshore	780,000,000		650,000,000
Platform	Construction	North America	Offshore	650,000,000		650,000,000
MOPU	Explosion no fire	Latin America	Offshore	382,000,000	112,500,000	494,500,000
Plant	Terrorism	Africa	Land	455,000,000		455,000,000
Rig	Leg punch through	Latin America	Offshore	240,000,000		240,000,000
Platform	Collision	Middle East	Offshore	200,000,000		200,000,000
Pipeline	Ruptured pipeline	Middle East	Land	190,000,000		190,000,000
Rig	Mechanical failure	North America	Offshore	83,500,000	95,000,000	178,500,000
Platform	Fire + explosion	Latin America	Offshore	150,000,000		150,000,000
MOPU	Faulty work	Latin America	Offshore	116,000,000		116,000,000
Pipeline	Anchor/jacking/trawl	Africa	Offshore	100,000,000		100,000,000
MOPU	Corrosion	Latin America	Offshore	100,000,000		100,000,000
						<b>4,824,000,000</b>

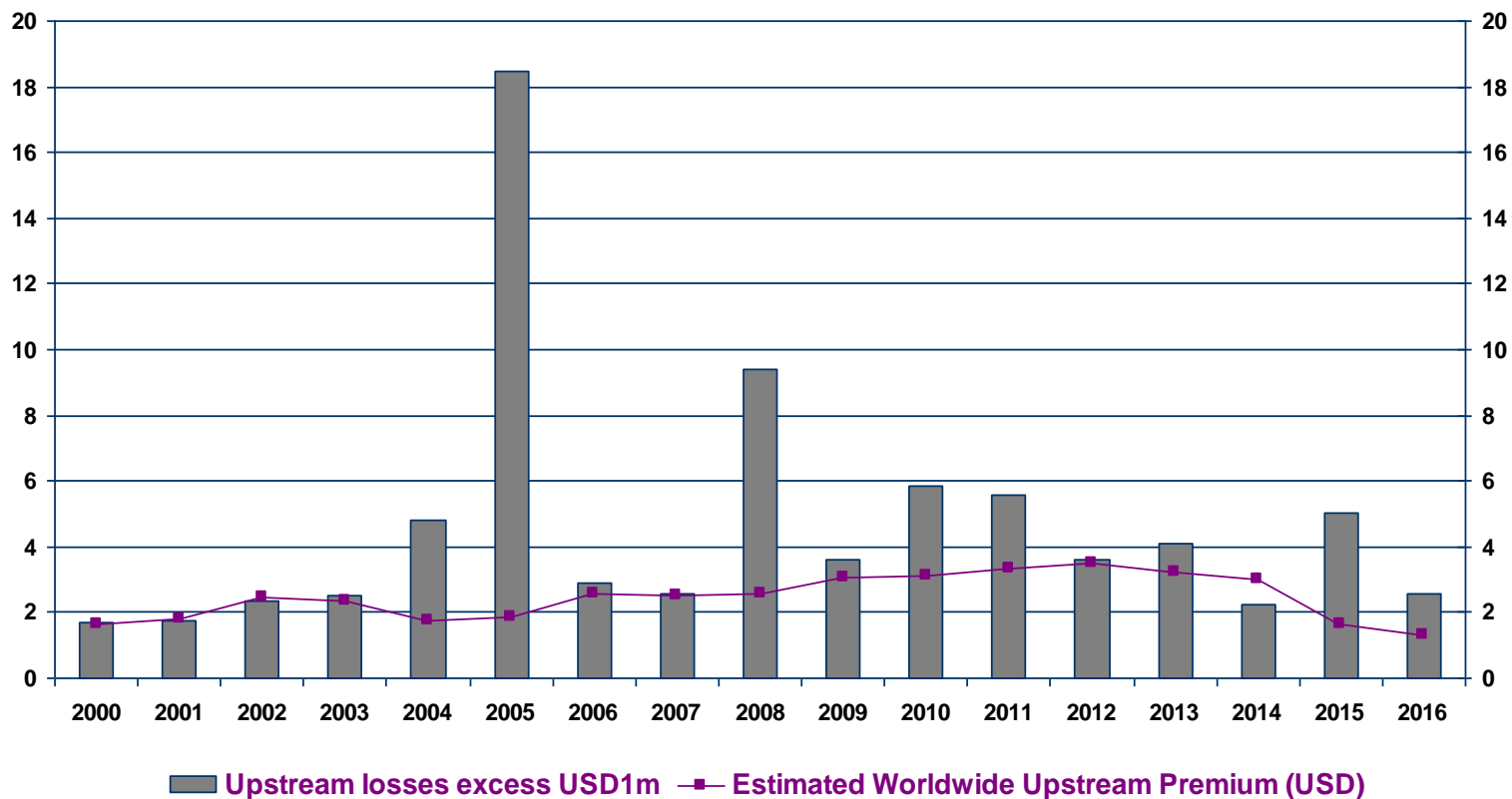
WTW Energy Loss Database as of March 7 2017



2017 TOKYO  
September 17-20

## WELD Upstream Energy losses excess of \$1m versus estimated premium income

\$ 000,000,000



Source: WTW Energy Loss Database as of March 7 2017

# Top 10 Challenges for Energy Underwriters



1. Excess capacity for most risks

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2. Soft market wordings creep

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6. Lack of activity in oil & gas sector

# Top 10 Challenges for Energy Underwriters



1. Excess capacity for most risks
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6. Lack of activity in oil & gas sector
7. **Reactivation**

# Top 10 Challenges for Energy Underwriters



1. Excess capacity for most risks
2. Soft market wordings creep
3. Prototypical technology – e.g. FLNG
4. Acquisition costs and expenses
5. Cyber aggregations
6. Low level of activity in oil & gas sector
7. Reactivation
8. **Inexperienced leadership**

# Top 10 Challenges for Energy Underwriters



1. Excess capacity for most risks
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3. Prototypical technology – e.g. FLNG
4. Acquisition costs and expenses
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6. Lack of activity in oil & gas sector
7. Reactivation
8. Inexperienced leadership
9. Delegated underwriting

# Top 10 Challenges for Energy Underwriters



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9. Delegated underwriting
10. Sinking or staying afloat?

# Top 10 Challenges for Energy Underwriters



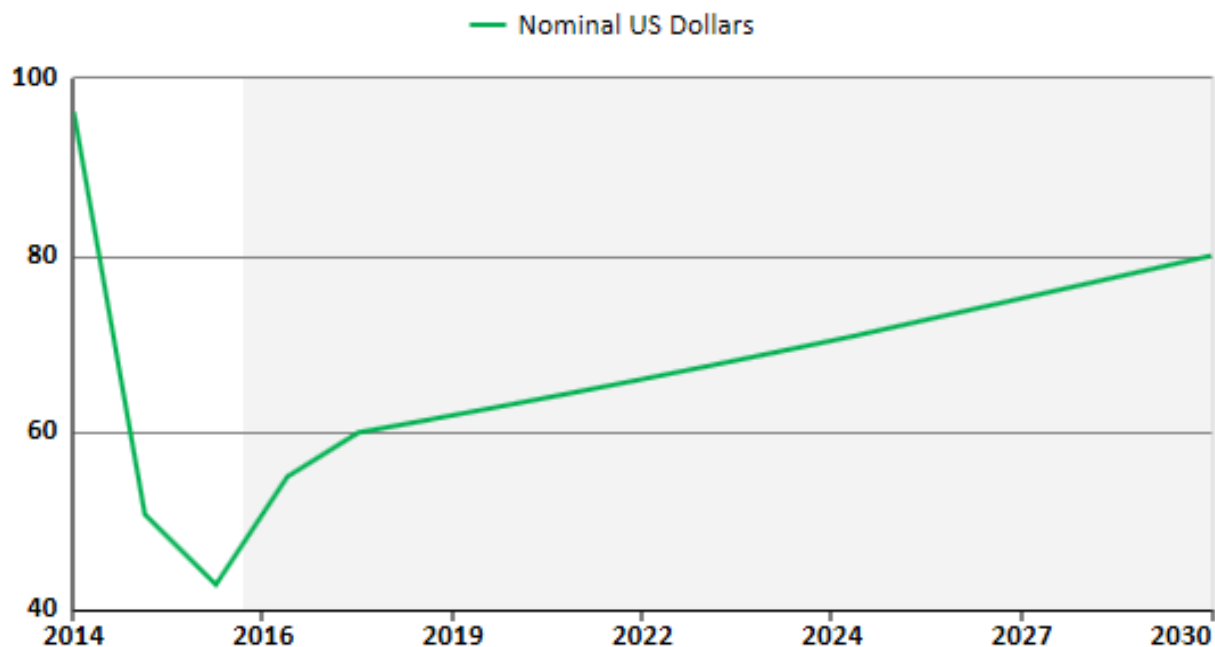
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# Oil Price Review

# Where is the oil price headed?

## World Bank Oil Price Forecast

Crude oil, avg, spot (\$/bbl)



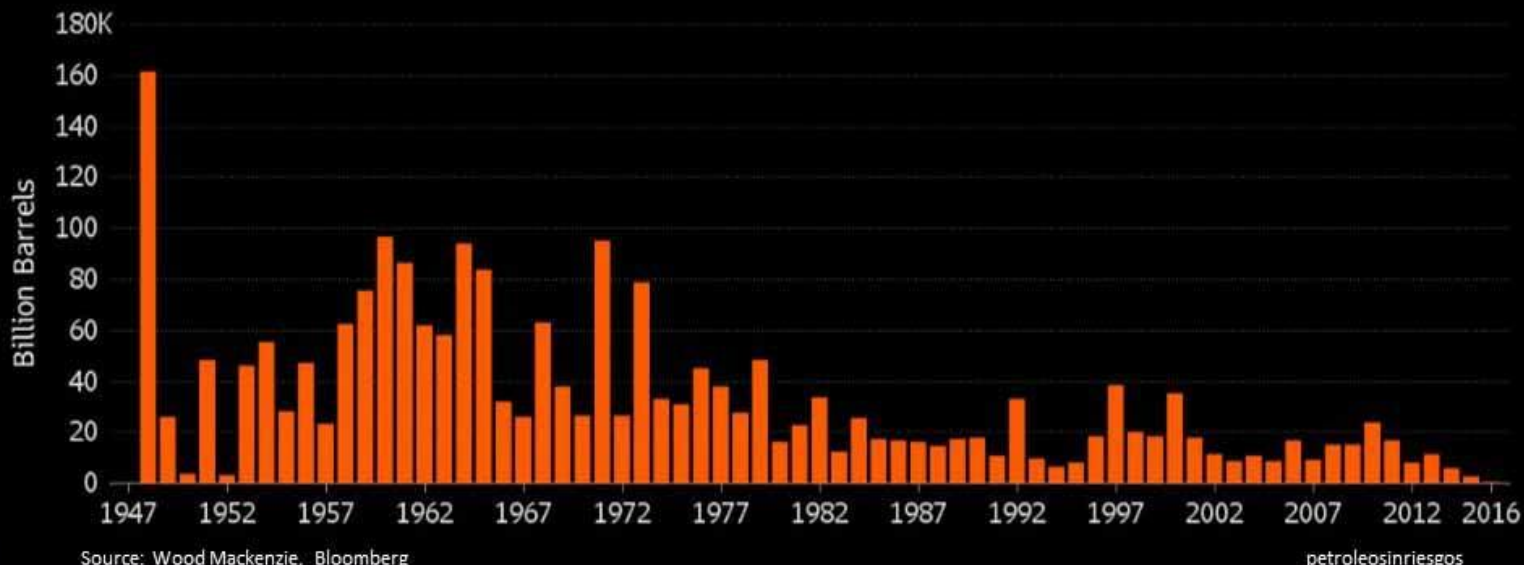


# But is there cause for optimism?

## OIL DISCOVERIES LOWEST SINCE 1947

Explorers slash spending after price collapse

Conventional Oil Discovered



# Genoa 2016 guess the oil price competition

# Conclusion

- Claims are larger than premiums
- The oil price is unlikely to be our saviour
- We are sinking not staying afloat!