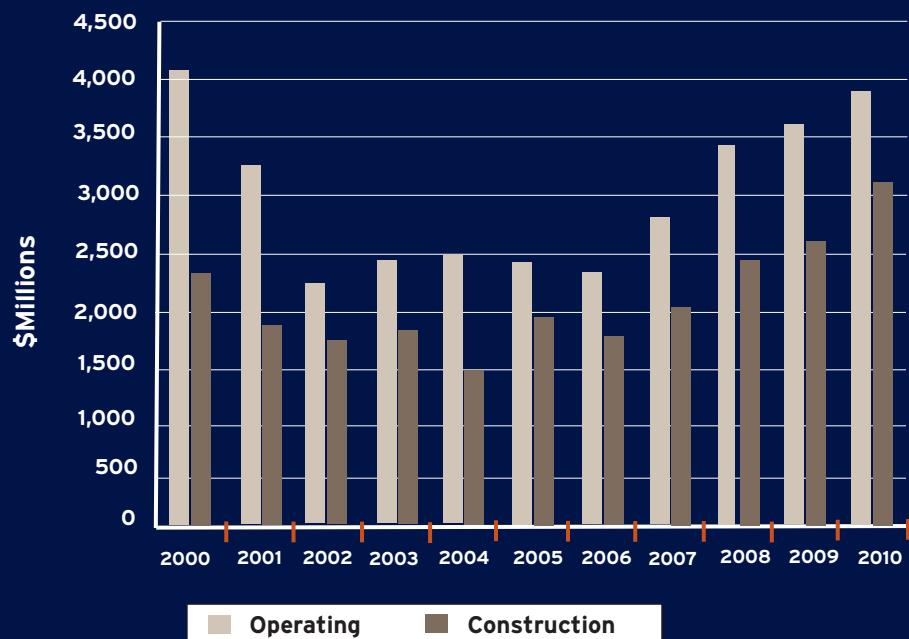


# MARKETPLACE REALITIES & RISK MANAGEMENT SOLUTIONS

ENERGY - UPSTREAM

- Until April, upstream Property rates were gently softening due to an increase in capacity at the beginning of the year.
- **A series of major losses, including the Deepwater Horizon incident in the Gulf of Mexico, turned the market, and modest rate increases are now the norm.**
- The **extent of the market hardening varies widely** and depends on a number of factors, including:
  - Loss record/risk profile
  - Type of operations (operator/drilling contractor, pipelaying, etc.)
  - Associated premium income
  - Required policy limit
  - Location of assets (especially CAT exposure and water depth)
  - Utilization of new technology
- **The outlook for 2011 hinges on two key factors:**
  - Impact of Gulf of Mexico hurricane season – to date, this has not affected energy infrastructure, although the season does not officially end until November
  - Eventual impact of Deepwater Horizon loss on insurance market (expected to be approximately \$1.5 billion)
- Expected legislation is likely to **increase demand for Operators Extra Expense and Offshore Liability insurance products.**

**UPSTREAM INSURER CAPACITIES, 2000-2010  
(EXCLUDING GULF OF MEXICO WINDSTORM)**



## PRICE PREDICTIONS

Modest price increases in the immediate future

## CONTACT

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