## Q4 2022 Energy Market Update

## **Business Is Booming**

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Happy New Year! We have another year down, and we are all looking forward to seeing what 2023 has in store. But before we move on to 2023, let's take a second to reflect on 2022. The past year was a booming one for the oil and gas industry, as we saw prices increase to decade highs.

Much of the increase was due to a resurgence in demand following COVID-19 lockdowns, coupled with supply issues caused by the ongoing war in Ukraine. We saw the largest spike in prices coming in the first part of the year, with West Texas Intermediate (WTI) crude eclipsing \$120 per barrel. This spike in pricing forced the US to act and, in 2022, the US released 180 million barrels of crude from its Strategic Petroleum Reserve.

All this is positive news for the insurance industry, as more activity means more revenue means larger accounts. As companies continue to grow, we are seeing a ton of mergers and acquisitions (M&A) activity; our team has been on both the winning side and the losing side of those. This activity doesn't look to down anytime soon, which is a positive outlook for 2023.

## **ENERGY INSURANCE OVERVIEW**

The insurance side of the Energy sector had an amazing year. The increased activity in the energy industry coupled with a stable insurance environment allowed for record growth in 2022, and we don't see this growth slowing any time soon.

With increased activity, we're seeing more requests for increased capacity across all energy risks. Why? It really stems from the lease operators and landowners. Their risk management teams are focusing on two main exposures — the environmental aspect of their operations along with the "action over" exposure which really come to the forefront when increased limits are being requested.

As landowners see more contractors onsite working in tandem, those two exposures skyrocket. These exposures absolutely are a conversation that should be had with any risk that's acting in a hiring/firing role.

We expect to see a very big shakeup in the lease operator market as we progress through 2023. Lease operators have historically been written almost exclusively in the admitted market, but there may be a shift coming, and we're certainly prepared for it.



## 2023 Q1 PREDICTIONS FOR THE ENERGY INSURANCE MARKET

The Energy team here at RPS is extremely excited for 2023 and what it has in store. There's been an immense increase in carriers willing to put up capacity in 2022, which puts us in a much better place during the renewal process. Not only that, the excess space has a ton of new entrants, which is positive news for the clients.

A closing thought from our entire energy team: As these new entrants enter the market hot and heavy, take a moment during the renewal process to pause and ask yourself "Who helped me get to where I am?" This is an important question, as we have been in the industry a long time, and we can't forgot how important our long-standing carrier partners are to us. Continue to work hard for your clients while keeping long-term goals in mind.







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