



2023 Q3 Energy Market Update Now Trending: Stability

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Welcome back! Since the last update we have seen a very nice trend in our segment: stability. We don't often get to experience it in this industry and it's a nice reprieve, that's for sure.

STATE OF THE OIL AND GAS INDUSTRY

With the average price per barrel hovering around \$75 for the better part of 2023, everyone is in a somewhat comfortable spot. We have also experienced a leveling of US rig count in the first quarter of 2023 and as we have noted in the past, rig count is a very good indicator of insurance activity for the types of accounts we specialize in.

The industry as a whole has a nice profit margin to work with and consumers are seeing price relief at the pump. This stability is a welcoming trend after the past few years, and hopefully it continues for the foreseeable future—though with an election year looming, we know it won't last for long.

THE OIL AND GAS EFFECT ON ENERGY INSURANCE

The insurance side of the energy sector has benefited from the increased stability in the oil and gas market. That, coupled with a constant insurance environment, allowed for consistent growth in 2023 that we expect to continue throughout 2023.

While most of the energy insurance sector is experiencing this steady marketplace, there have been some major players exiting the space. This is primarily affecting lease operators, salt water disposal and control of well space. There is a ton of movement on these classes of business, but with RPS's strong carrier relationships and ability to access both the

energy and environmental market space, we have not had issues finding replacement programs for this risk class.

We are still seeing more and more requests for increased capacity across the entire energy sector. The reason for the increase really stems from the lease operators/land owners, and with the recent market shakeup, we only expect this to continue.

Risk management teams are really focusing on two main exposures—the environmental aspect of their operations along with the “action over” exposure really come to the forefront when increased limits are requested. As the landowners see more and more contractors on site working in tandem, those two exposures increase exponentially. This is absolutely a conversation that should be had with any insured that is acting in a hiring/firing role.

WHAT'S AHEAD: 2023 Q3 AND BEYOND

The energy team here at RPS are extremely excited for 2023 and what it has in store for us. We have seen an immense increase in carriers willing to put up capacity, which puts us in a much better place during the renewal process. There has been a slowing of new entrants in the excess space, but at this time that doesn't pose a threat after all the new entrants in 2022.

We're seeing quite a bit of movement in the lease operator and salt water disposal space, which our team is hyper-focused on at this time. With historic markets exiting the space, there's a tremendous opportunity to drive amazing growth.

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