



2023 Q4 Energy Market Update

Consistency Remains, for Now

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As 2023 wraps up, I am excited to provide an update on what we are seeing in the energy space so far this year. It continues to be a year of consistency, which is somewhat unusual for those of us that operate within this space on a day-to-day basis.

GEOPOLITICAL RISKS

While it's been a banner year for the industry, the war between Islamist group Hamas and Israel poses a very significant geopolitical risk to oil markets.

Reuters reports:

“While oil flows have not yet been affected, analysts and market observers point to two major implications if the conflict escalates. First, the US could tighten or step up enforcement of sanctions on Iran should it be implicated in Hamas’ attack on Israel, which could further strain an already undersupplied oil market. Second, a deal being brokered by Washington to normalize relations between Saudi Arabia and Israel, which could see the kingdom increase oil output, could be derailed.”¹

We’ll be keeping a close eye on these developments and the trickle-down effect on the insurance industry.

THE IMPACT ON INSURANCE

With oil pricing on the rise, we continue to push for rate relief for our insureds. On average, we’re seeing at least 20% in sales and payroll increases on our overall book of business, which puts us at an advantage when we’re negotiating renewal terms for our clients.

Increased sales also allow us to use audit terms as a negotiating factor when we work through tough accounts. However, with increased sales comes increased activity, and more activity inevitably will result in more claims.

We’re still seeing the Auto Liability coverage grant leading the way in claims cost, but pollution is suddenly on the rise. In a not-so-surprising way, we’re seeing a large increase in pollution claims across the board. This increase is also a result of increased workover activity in the oilfield.

As we look to the future, we can only count on our past experience to try to predict what’s next. The war in Israel will most certainly have an impact on global supply, and we can assume that pricing will be on the rise in the near future. This assumption will allow us to prepare ourselves for even more activity in the last quarter of this year and into 2024.

¹Grover, Natalie, and Ahmad Ghaddar. “[What Israel-Hamas War Means for Global Oil Market](#),” Reuters, 16 Oct. 2023.