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IUMI 2015 Mobile Offshore Drilling Unit Statistics - Analysis

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Industry position

How the Energy world has changed in just 12 months. The Oil price has collapsed from being in excess of \$110 per barrel to \$50 per barrel in recent days. The true impact of this on the energy industry and the insurance industry is yet to really come through in the figures but we are seeing the signs.

Mobile offshore unit newbuilds are drying up. We can see that there is a significant drop in scheduled newbuild deliveries after 2017. Even though, it appears that day rates have increased by 13% this is driven by the mix of the fleet and hides the fact that lower earning units or older units are either being laid up or being contracted at much lower rate. The larger more modern units can still command healthy day rates and are still in contract.

We anticipate a very different set of figures and landscape in 2016 as the full effect of the commodity price drop really kicks in. Already many oil and gas companies drilling budgets have been slashed, there is limited investment in the construction sector, clients are re-valuing their assets, many mobile units are being laid up or scrapped and work forces are being cut. An increase in M&A activity is also likely. It is highly probable also that if the commodity price still continues to be depressed that this will speed up the de-commissioning of assets as these assets no longer hold the economic value that they once did.

All of this means a lower insurance premium base as exposures reduce. But over capacity still dominates the insurance market in most lines.

Losses

A spate of large risk losses (over \$100m) have been notified in 2015. This is the largest quantum in terms of size of loss since 2011. With the technology now in place on many of the assets of today insurers may well see the severity of loss to be much greater than in previous years.