International views

North America

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A gradual but notable decline in reliance on fossil fuels characterizes market trends for traditional power in the U.S.. Coal-fired power generation has decreased due to environmental regulations, lower natural gas prices, and competition from renewables. Once considered a cleaner alternative, natural gas has become a dominant fuel source due to its relatively lower emissions and cost-effectiveness.

However, as the infrastructure continues to age, insurance carriers will continue to focus and reward owners with robust operation and maintenance programs to prioritize the health and safety of the assets.

The traditional power sector faces increasing pressure from regulatory frameworks aimed at reducing carbon emissions and promoting sustainability. Utility companies are investing in upgrading infrastructure and adopting cleaner technologies to comply with these regulations. Despite these challenges, traditional power remains a crucial part of the energy mix, especially for providing reliable baseload power.

The sector is evolving with a greater emphasis on maintenance and improving efficiency.

China

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The power insurance market in China is relatively stable. Thermal power has traditionally been the dominant source and baseload, and Chinese insurers maintain huge capacity for coal-fired power risks. Meanwhile, the installation and operation of larger 1000MW unit capacity water turbine generators is boosting hydropower production. Domestic conventional power risks in China have been profitable in 2024 so far, and rates remain flat or have a slight reduction.

However, after suffering some big overseas claims in the last few years, Chinese underwriters are conservative in providing capacity for overseas power projects and some have suspended writing overseas business. The premium rates of hydropower and waste to energy projects were raised significantly. Tougher Chinese interest definitions now apply, and (re)insurance capacity has been limited and reduced accordingly.

The top three Chinese insurers enjoyed net profit growth in the first half year of 2024. But a number of potential factors are in play: the rainstorm and flood impacted Southern China; the claim payments of whole Chinese insurance industry from January to July 2024 increased 30% compared to the same period last year; and economic slowdown. Chinese insurers are struggling to achieve their annual budget, which may aggravate the competition between insurers. The market for power risks might take longer to respond to these pressures than the general property market.

Latin America

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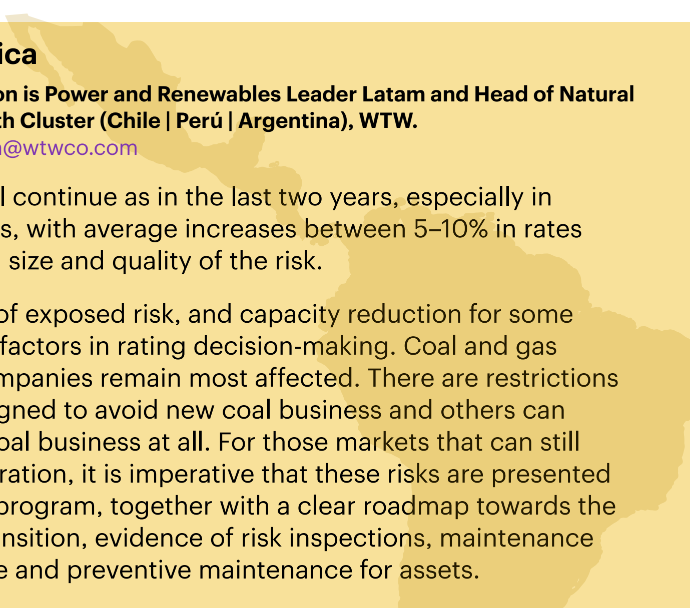

The power market will continue as in the last two years, especially in catastrophic countries, with average increases between 5–10% in rates depending on claims, size and quality of the risk.

Inflation, revaluation of exposed risk, and capacity reduction for some countries remain key factors in rating decision-making. Coal and gas generation power companies remain most affected. There are restrictions in some markets designed to avoid new coal business and others can no longer write any coal business at all. For those markets that can still underwrite coal generation, it is imperative that these risks are presented as part of the bigger program, together with a clear roadmap towards the company's energy transition, evidence of risk inspections, maintenance reports and predictive and preventive maintenance for assets.

In Latin America, insurers maintain disciplined underwriting within the power sector. Key insurance market observations include: controlled capacity deployment; increased scrutiny on property damage and business interruption values; a trend toward reduced line sizes and concentration on natural catastrophe limits; greater examination of policy conditions, deductibles, and sub-limits, driven by the competitive cycle's pressures; and expected single-digit rate increases for "good" risks, while claims-heavy portfolios may face higher adjustments. Wider trends to watch include: continued concerns regarding machinery breakdown; insurers focusing on ESG initiatives; and supply chain issues.

Middle East

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Due to increasing regional demand for power, a mix of aging assets, pressure to shift toward renewable energy, and significant competition between the UAE and KSA for data center dominance, we expect regional capacity to continue growing. Additionally, specialist underwriting expertise in the region will need to keep pace with the changing risk landscape.

In the coming decades, the Gulf Cooperation Council is likely to rely on a combination of solar, nuclear, green hydrogen, natural gas with carbon capture, and wind energy to meet the increasing power demands of data centers. Solar energy is expected to play the largest role, given the region's geographic advantages, while nuclear energy, alongside storage solutions and green hydrogen, will provide the consistency and flexibility needed to ensure stable and reliable power.

For the near future, favourable global market conditions and an influx of capacity have led to rates dropping approximately 10% for clean business on a like-for-like basis in the region. These pressures are overriding the impact of an active nat cat season with two large storm events which caused insured losses to the local market in excess of AED10.5 billion. In 2025 and beyond, we expect global nat cat pricing to have more of an impact on the regional market.

Singapore

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For the last three years, the power market in Asia has been through a phase of correction and hardening. However, at the start of 2024, we have seen a notable change in market conditions, and readily available capacity has resulted in a return to a buyers' market. A shift in appetite from coal to non-coal power and the phasing out of underwriting existing coal risks have combined to encourage insurers to seek new opportunities in deploying their capital.

While insurance markets are naturally looking to secure rate increases, clients that have a clean loss history at renewal can achieve a flat rate. Flat-rate renewals have become a norm, and well-risk-managed assets have been able to achieve rate discounts, with rate movements of between -10% to flat on a like-to-like renewal basis.

Once again, we are seeing an increasing number of markets seeking to offer long-term agreements and rates are expected to further soften over the next 12 months.

Supply chains are becoming a top concern, and the business interruption (BI) component of cover, alongside the potential for rapid escalation of loss quantum, are clear areas of focus. Amid unrest and geopolitical issues, the movement and transportation of materials and equipment has been significantly impacted, increasing the lead time for repairs and delivery times for large/complex items of machinery. The adequacy of the indemnity period for BI is of vital importance and something power companies will not readily compromise on in exchange for premium savings.

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