



# Market Conditions for the Insurance Market for Renewable Energy





# Introduction

The renewable energy sector is experiencing significant growth and transformation, driven by global efforts to combat climate change and transition to sustainable energy sources. However, natural catastrophe exposures remain a concern, with significant events like the California wildfires impacting the market and more recently the Bangkok earthquake.

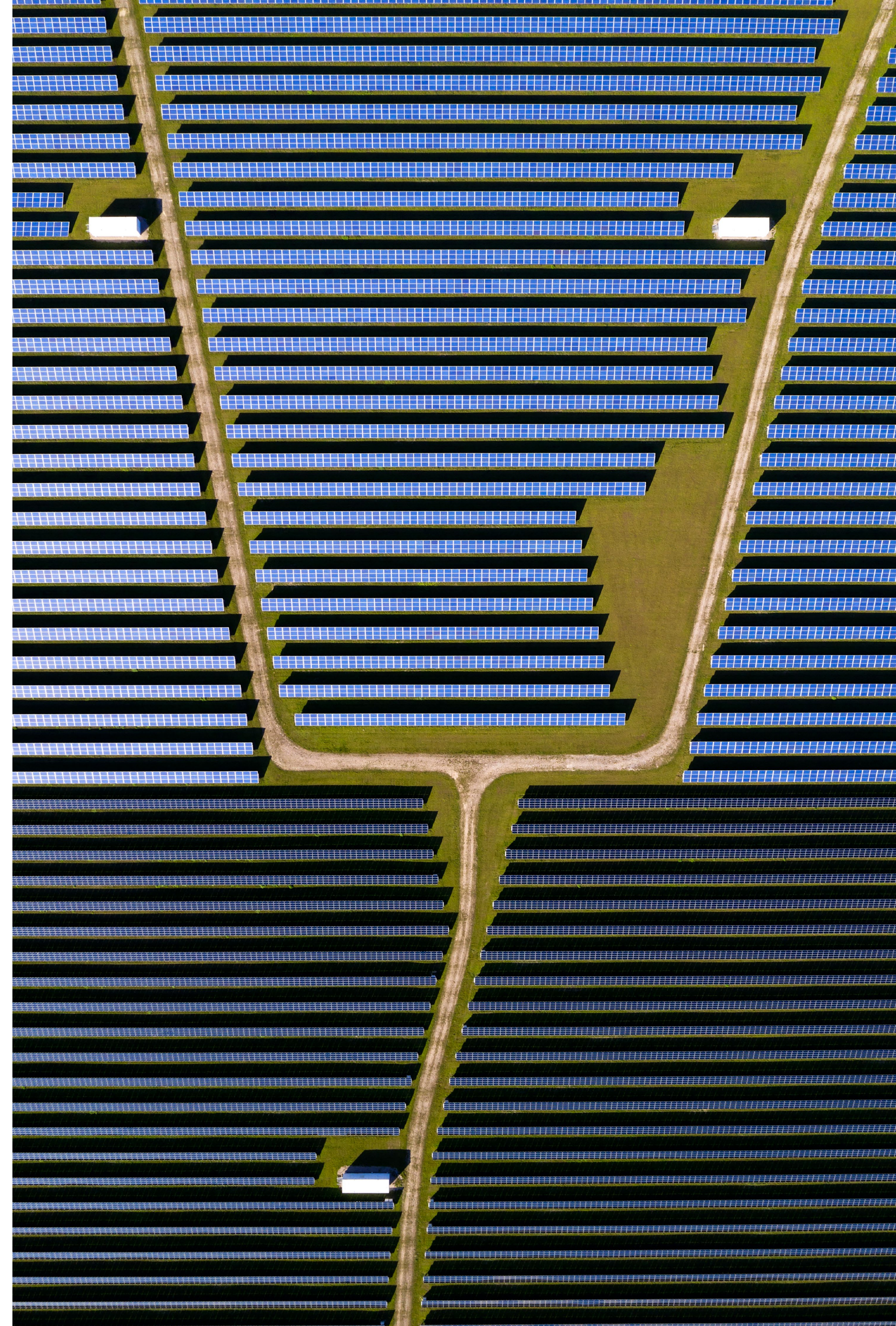
This shift has profound implications for the insurance market, which plays a pivotal role in the global insurance landscape. The global insurance market has seen a rise in reinsurer capital, reaching \$700 billion in Q3 last year<sup>1</sup>. This growth is driven by strong underwriting results and improved investment yields. Treaty renewals have performed well, with no major challenges. However, natural catastrophe exposures, have led to significant insured losses.



The APAC region is entering a softening phase, with capital continuing to flow into the market and premium rates starting to fall<sup>2</sup>. Insurers are now positioning themselves to maintain their market share, whilst seeking to maintain deductible levels. The main focus area for insurers continues to be the levels of capacity deployed on high natural catastrophe-exposed risks, where natural catastrophe (Nat Cat) - specific deductibles and sub-limits receive particular attention. (Richard Nunny)

## Key Points

- 1 Market Dynamics and Capacity Growth
- 2 Challenges in Underwriting and Experience
- 3 Impact of Natural Disasters and Secondary Perils
- 4 Technology Risk and Insurance Appetite
- 5 Softening Market and Competitive Edge





## Market Dynamics and Capacity Growth

The renewable energy insurance market in London has seen significant movement in recent times with new syndicates and increased capacity<sup>3</sup>. As capacity grows and new syndicate markets emerge, this could drive increased competition in the market, leading to potential positive outcomes for clients.

Insurers are now pivoting their strategies to future-proof their underwriting books, with a strong focus on onshore and offshore renewables. This shift allows insurers to leverage their existing book of business and potentially achieve better results in the renewable energy sector (Dominic Chivers).

## Challenges in Underwriting and Experience

Despite the sector's growth, the renewable energy market, particularly onshore renewables, remains a relatively new industry sector driven particularly by the rapid evolution of technology. There is a real push to build experience and capabilities in the underwriting of renewable energy risks across all regions. The big challenge for Insurers is the current high demand for skilled underwriters, leading to a significant movement of talent between companies.

The need for experienced underwriters is critical to navigate the complexities of renewable energy projects. This demand also creates opportunities for underwriters, as their expertise becomes increasingly valuable in a competitive market.

## Technology Risk and Insurance Appetite

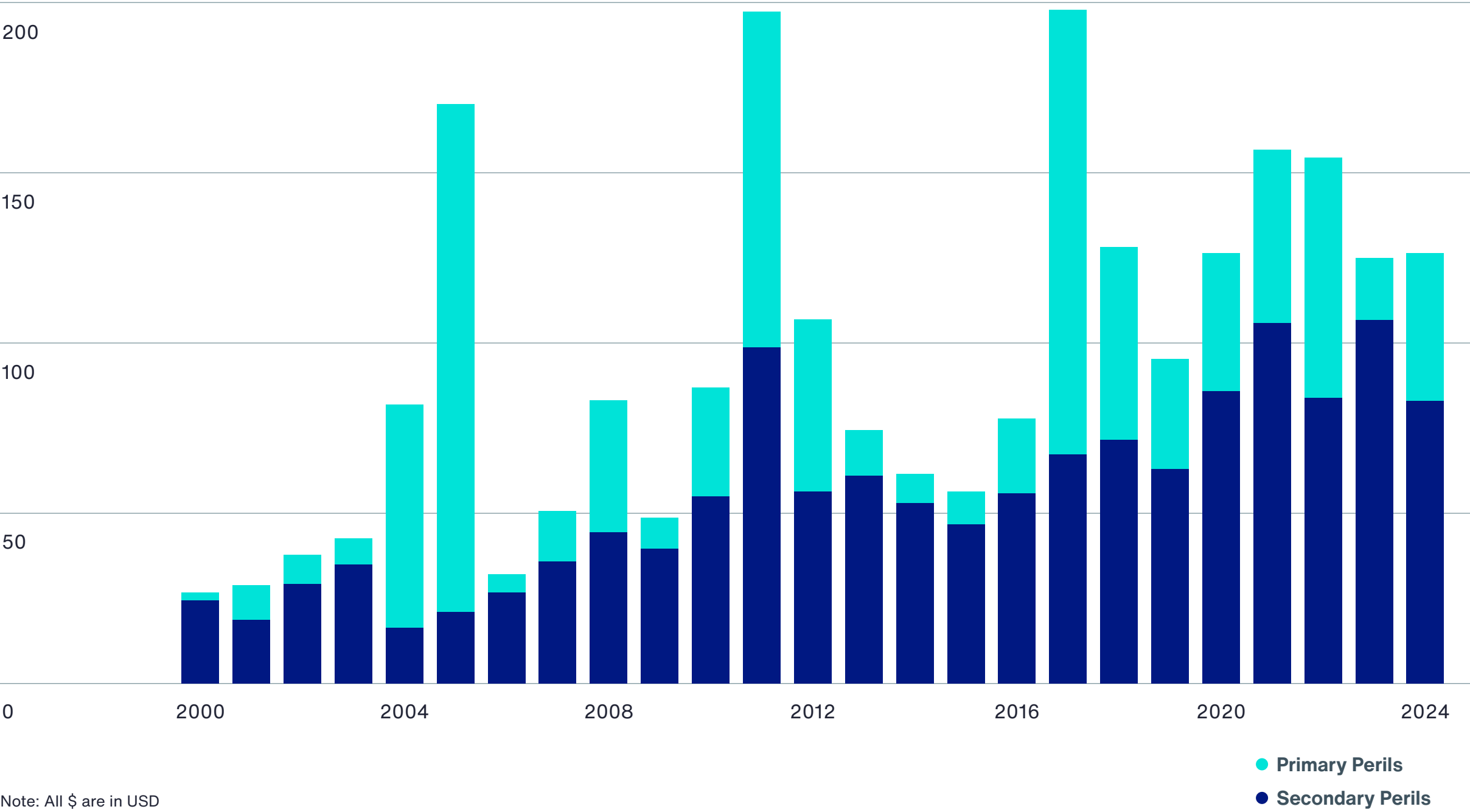
The insurance market's appetite for various technologies varies. Proven technologies like wind, Battery Energy Storage System (BESS) and solar in non-cat zones still remain attractive, while prototype technologies and end-of-life assets will attract a more conservative approach from insurers. Solar globally has faced challenges, but particularly in the US, with a large number of Severe Convective Storm events driving losses for Insurers portfolios<sup>4</sup>. This has led to insurers continually adjusting capacity, terms and conditions such as sub-limits and deductibles for solar risks that model as high exposure for natural catastrophes.

## Impact of Natural Disasters and Secondary Perils

Natural disasters and secondary perils, such as floods, fires, and hail, have a notable impact on the renewable energy sector. The increasing frequency and severity of these events pose significant risks to renewable energy projects. For instance, in the previous year across all global property lines, losses amounted to \$140 billion, with a substantial portion attributed to these secondary perils<sup>5</sup>.

These risks are particularly relevant to renewable energy projects, which are often perceived to be more vulnerable to natural catastrophe-type events. Insurers must carefully assess and price these risks to ensure they can provide sustainable coverage while managing their exposure to potential losses.

## Aon Catastrophic Insights



<sup>5</sup> 26303-Reinsurance-Market-Dynamics-2025-Report\_Final.pdf

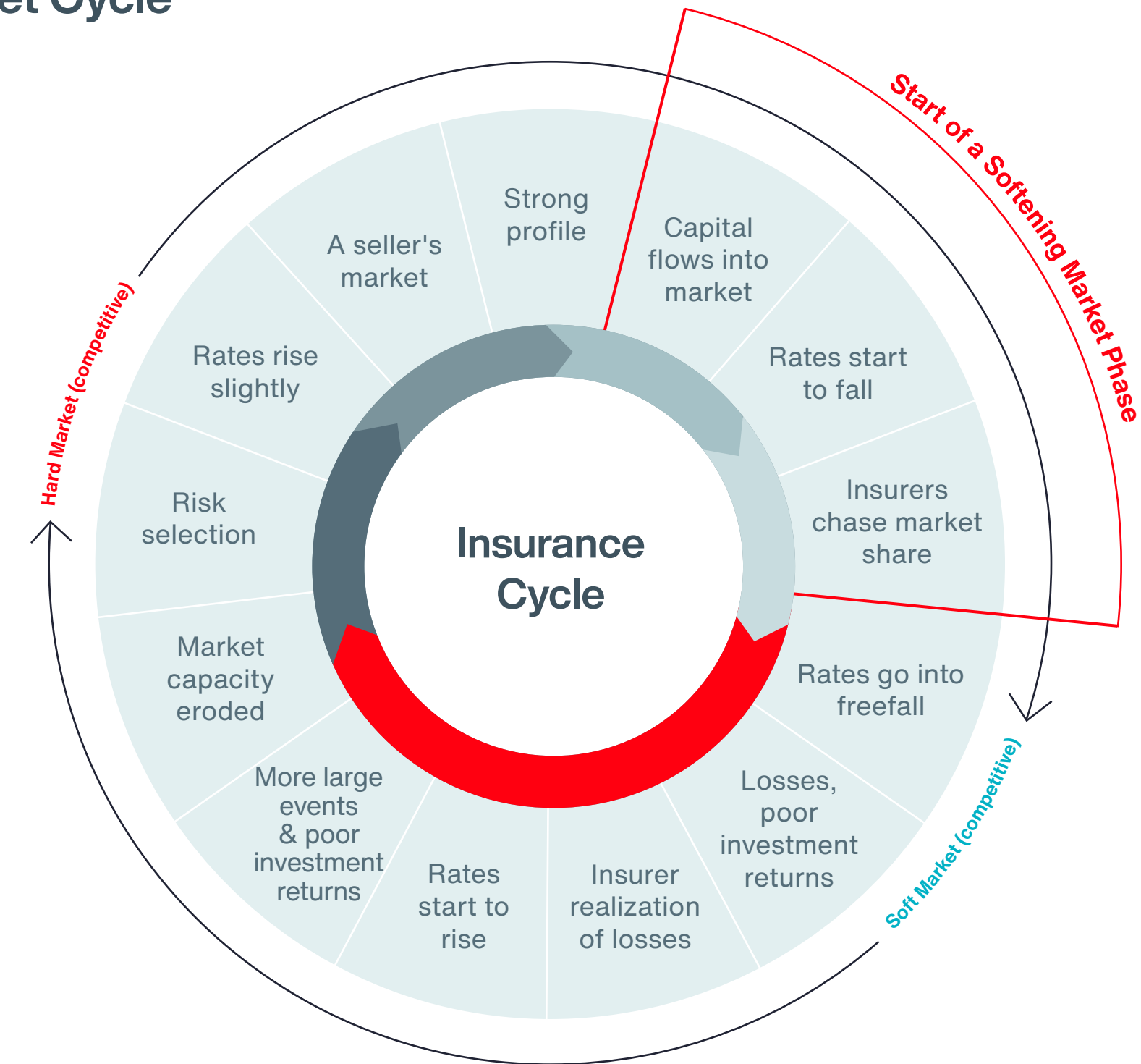
## Softening Market and Competitive Edge

The insurance market for renewable energy is entering a softening phase due to increased competition and capital flow into the sector. Insurers are now competing to gain a larger share of the market, which is expected to continue through 2025<sup>6</sup>. This softening market presents both challenges and opportunities for insurers.

In a competitive market, insurers must find ways to offer capacity at competitive terms to the benefit of their clients. By working closely with brokers and clients and leveraging their expertise, insurers can navigate the softening market and provide valuable coverage solutions.

This dynamic provides insureds with opportunities to create competitive tension in their placements through re-marketing exercises or introducing new capacity to existing panels of insurers from the key geographical markets.

## Market Cycle





The insurance market for renewable energy is undergoing significant changes, driven by capacity growth, evolving market dynamics, technology evolution and the increasing impact of natural disasters. While challenges remain, particularly in underwriting and experience, the market also presents numerous opportunities for insurers to innovate and provide competitive coverage. As the renewable energy sector continues to expand, the insurance market must adapt, focusing on managing risk leveraging technological advancements and evolving to meet the demands of this dynamic industry.







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