



WWW.IUMI.COM

**IUMI**  
**International Union of Marine Insurance**

---

**IUMI 2016 Mobile Offshore Drilling Unit Statistics - Analysis**

*Provided by Simon Williams, Chairman Offshore Energy Committee*

**Industry position**

The Energy world has continued its downwards trend in 2016 and there appears to be little good news on the horizon. In fact I think it is fair to say that many oil and gas companies are hunkering down and trying to ride out this severe downturn. This has had a significant impact on the drilling contractors and we can see this with the sharp decrease in the number of active units, in addition a number of units have or are scheduled to be scrapped. It is fair to comment that all the signals are down and the rebound that might have been expected in 2016 has just not materialized (yet).

There is a large order back log in 2016 for mobiles but it is very likely that there will be severe slippage.

With the drop in demand it is a buyers market and day rates continue to drop as oil and gas companies negotiate hard to get an improved day rate. They need to do this as their margin has also reduced and drilling contractors are stuck with the choice of having a unit working or taking the unit into lay-up with the potential it will become obsolete if the downturn continues.

M&A and bankruptcy activity continues and many companies are re-negotiating loan agreements with their financial backers. In some cases the capitalization of the company is lower than the outstanding loans – not a comfortable position. With the outlook not looking very positive we should expect to see further challenges with the finance companies.

So what does all this mean for the insurance industry? Over capacity is still evident and with fewer units being active and values reducing the premium base has dropped significantly however top of the range units have seen less of a value change and so I would suggest the mobile drilling contractor portfolio is considerably more volatile than in 2015.

**Losses**

Frequency is down but the average cost on losses over \$1m has increased substantially in 2015. So frequency down but severity on the up. The insurance industry should be concerned with human resource reduction and budgets being reduced and whether this will impact loss activity in the coming year(s).