OIL INSURANCE LIMITED
Leaders in Global Energy Insurance

THE WORLD OF OIL

2012 ANNUAL REPORT

CONTENTS

Our Mission:

Be the World's premier energy property insurance provider of choice for those companies that qualify for membership.

As exploration is conducted further offshore, in more extreme environments and in the far off corners of the world, there are unique challenges, complexities and risks for operators and insurers.

FINANCIAL HIGHLIGHTS

(Expressed in thousands of U.S. dollars)	**2012**	2011
Premiums Earned	**672,485**	543,425
Net Income (Loss)	**646,103**	(104,636)
Total Assets	**6,450,657**	5,746,005
Shareholders' Equity	**3,611,771**	3,033,147

(Ratios expressed as percentages)		
Loss Ratio	**91.1**	110.2
Expense Ratio	**3.2**	3.4
Combined Ratio	**94.3**	113.6

MESSAGE FROM THE PRESIDENT

Through 2012, OIL undertook a number of initiatives that were geared towards responding to our members' needs and expanding our organization's global reach. I am very pleased to report to you about these accomplishments as well as the company's results for the past year.

At OIL we have never been content to remain static; instead, we've always focused on evolving our products and services – not only in response to our members' changing requirements, but also in step with the industry's ever-shifting landscape. Last year was no exception to this approach.

One of the most significant projects that we undertook in 2012 was the rewriting of the OIL Shareholders' Agreement. Although portions of this document have been reviewed and reworked over the years, it was time for the Agreement to be evaluated in its totality, with an eye to clarifying or eliminating the sections that were difficult to understand or were no longer relevant. Our overarching goal through this process was to make this essential document more accessible so that members – and potential members – are better able to understand the OIL value proposition and the commitment they are making when they join the organization. Our team put a great deal of time and effort into this rewrite, and I could not be more pleased with the results. The suggested edits for the new Shareholders' Agreement were presented to the members and approved in March.

Another major initiative for OIL in 2012 was the development and launch of the OIL Technical Accreditation (OTA) program, an innovative online system designed to educate and train members and the brokerage community at large about OIL and how our mutual works. This project is a critical part of OIL's ongoing marketing objective of growing our shareholder base and fostering our relations with brokers as well as our existing members. George Hutchings, OIL's Chief Operating Officer, discusses the OTA in greater detail in his Operational Review on page 9.

These key programs both tie into OIL's overall strategy for membership growth and geographic expansion. Much of OIL's membership to date is drawn from North America, Europe and Australia. Although our members have exposures all over the world, if OIL is to continue to grow, we need to look beyond our existing geographic reach and explore possibilities elsewhere, such as the Far East. A lot of this marketing effort will be done through partnerships with brokers and we believe the OTA and the revamped Shareholders' Agreement are essential to enabling our broker

partners to promote the OIL value proposition effectively.

In general, 2012 was a very good year for OIL. Fortunately, we did not experience any severe windstorm or hurricane losses and our losses came in pretty much as we forecast and expected. In addition, our investment portfolio returns were very good – a testament to the intense work and strategic decision-making of our investment board and financial staff.

Looking forward, our priorities will remain the same, with a focus on measured growth and continued enhancement of member relations. The energy industry is in a state of flux as the proliferation of new technologies offers players fresh possibilities – and fresh risks. For instance, technological advances in both onshore and offshore E&P have resulted in challenges and complexities – not only for the industry, but for insurance providers as well. Another new horizon will be the Arctic region and the associated technology for dealing with the temperature extremes of the Arctic environment. As energy companies deal with substantial financial investments and increased operating costs of those changing environments, insurance providers have responded by withdrawing the capacity available. At OIL, we see these changes as a tremendous opportunity: an opportunity to remain relevant and to continue providing members with the coverage they require, especially in the face of a retraction of capacity in the commercial market. It is an opportunity that we intend to capitalize on in the years ahead.

In closing, I would like to extend my gratitude to everyone who played a role in our accomplishments of 2012 – OIL's Board and members, employees and management team. Thank you all for your hard work, dedication and loyalty. I look forward to continued success in 2013 and beyond.

Robert D. Stauffer,
President & Chief Executive Officer

INSURING OVER $2 TRILLION WORTH OF ASSETS WORLDWIDE

Global energy assets are deployed around the world and are exposed to many natural and man-made perils

ARCTIC OCEAN
RUSSIAN FEDERATION
KAZAKHSTAN
MONGOLIA
CHINA
INDIA
IRAN
TURKEY
SAUDI ARABIA
ALGERIA
LIBYA
EGYPT
MALI
NIGER
CHAD
SUDAN
NIGERIA
ANGOLA
ZAMBIA
NAMIBIA
BOTSWANA
MADAGASCAR
TANZANIA
INDONESIA
AUSTRALIA
PHILIPPINES
INDIAN OCEAN
SOUTHERN OCEAN

The energy industry operates globally near towns and cities and increasingly in more remote and extreme environments, which require greater technological and financial resources.

OPERATIONAL REVIEW

Be the market of choice.

For OIL, that is our principal objective, and many of the organization's initiatives through 2012 were undertaken with a view to building the foundation for achieving that goal. OIL is a unique organization and supplier of energy industry insurance capacity, and we want to make sure that those companies that fit our member blueprint learn about OIL's value proposition and discover how they can benefit from joining OIL.

As OIL's President & CEO, Robert Stauffer, discussed in his message, one of our priorities over the past year was to rewrite our Shareholders' Agreement. Though parts of it had been revised on numerous occasions over the years, it was in need of a complete overhaul. The rewritten portion of the document has been simplified and will give both existing and potential members an easier-to-understand explanation of what they can expect from an association with OIL. We will continue reviewing our documentation in the months ahead, with an emphasis on revising the other two elements that are critical to our members: our policy and Rating & Premium Plan (RPP).

Expanding our horizons

Another key component of OIL's strategy to be the global energy insurance provider of choice is our focus on broadening our geographic reach. Unlike providers in the commercial market, we have deliberately decided to do this not by using our resources to open offices around the globe, but instead by leveraging the existing brokerage community to be our eyes and ears in regions of the world where we currently do not have a presence. We have selected four main energy broker partners and we are working on providing them with the marketing materials, literature and other support they require. For brokers to position OIL as a legitimate provider of energy insurance capacity, they must be able to uncover opportunities in the marketplace and to sell OIL to qualified potential members as effectively as possible.

To that end, one of the tools we developed over the past year is the OIL Technical Accreditation (OTA) program, an online educational training system that consists of a set of modules that allows industry newcomers and veterans alike to go through a systematic approach to understanding how OIL works and what we offer. Because the OIL product is complex and can be difficult to understand, it is important to have a tool that will help educate and broaden the knowledge base of both brokers and members, and we believe that is precisely what the OTA will offer – without OIL executives having to travel the world to get the word out!

Delivered in an audio-visual format through four distinct modules – OIL overview, the eight business sectors and Atlantic Named Windstorm, the technicalities of the R&PP, and policy coverage – the OTA

OPERATIONAL REVIEW

process culminates in a diploma and accreditation, and offers ongoing access to the materials and support. The OTA system went live in 2012 and has been very well received so far – users have hailed it as an excellent accomplishment and a valuable tool. We expect to see its popularity and usefulness continue to grow over the months and years ahead, and believe the OTA will be a beneficial complement to the marketing strategies we are developing with our chosen broker partners.

The final objective that we strive to attain every year is to prudently grow our capital. This is something that is done organically as OIL does not typically raise capital. I am pleased to report that we achieved that goal in 2012. As Ricky Lines, OIL's Chief Financial Officer, explains in his message on page 13, our investment returns for the past year were excellent, enabling us to increase our capital base. As a result, we are extremely well-positioned to enhance the value of our product in the coming years by way of offering larger limits and/or broader coverage to our members.

Capitalizing on opportunities

Changes in the energy industry continue to affect insurance providers and the capacity they can offer. Even though there is a glut of natural gas in the United States, the existing American infrastructure makes it difficult to consume that gas – the plants can't be converted fast enough and cars haven't been changed over. As a result, operators are still focused on finding more oil. However, discovering new sources of hydrocarbons is becoming increasingly challenging – and expensive. The business is experiencing heightened volatility as operators explore more perilous areas, such as deeper water and the Arctic, which require greater technological and financial resources. That means the industry's capacity needs are growing quickly, and insurance providers are having trouble keeping up.

These changes provide an opportunity for OIL to step in where the commercial market's offerings are falling short. Though we will not change our approach or our policies to attract new members, we are committed to continuing to evolve with our existing members, and believe that any adjustments we make to meet their requirements will also be attractive to other potential members.

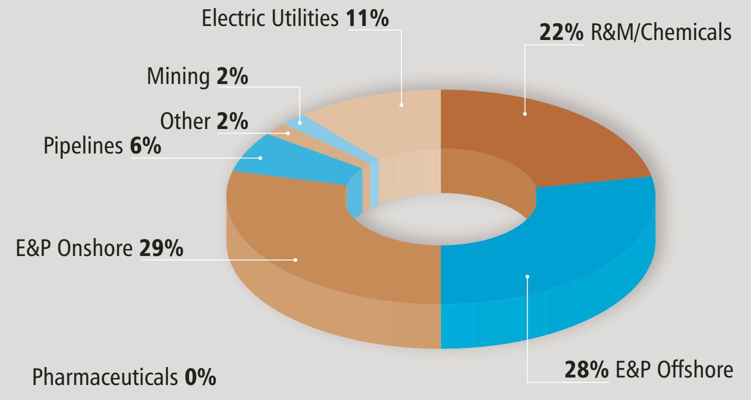
OIL experienced some shifts within our membership in 2012. We welcomed Canadian Oil Sands Limited to OIL as of July 1, 2012. In addition, existing OIL member Southern Union Company was purchased, and its new parent company, Energy Transfer Partners L.P., opted to join OIL as well. Another existing member, El Paso Corporation, was acquired by Kinder Morgan Inc. and, in that case, the new parent company decided not to continue El Paso's membership in OIL. Ultimately, no one existing member elected to exit OIL which reinforces our belief that we are continuing to do what is necessary to meet the needs of our membership.

OIL had a truly extraordinary year in 2012. Our many accomplishments and successes were only possible because of the tremendous contributions of our staff; thank you all for your incredible commitment and hard work – they are deeply appreciated. I would also like to express my profound gratitude to our members: thank you for your ongoing faith in our organization and for your continued loyalty. I look forward to an equally productive and rewarding 2013.

George F. Hutchings,
Senior Vice President
& Chief Operating Officer

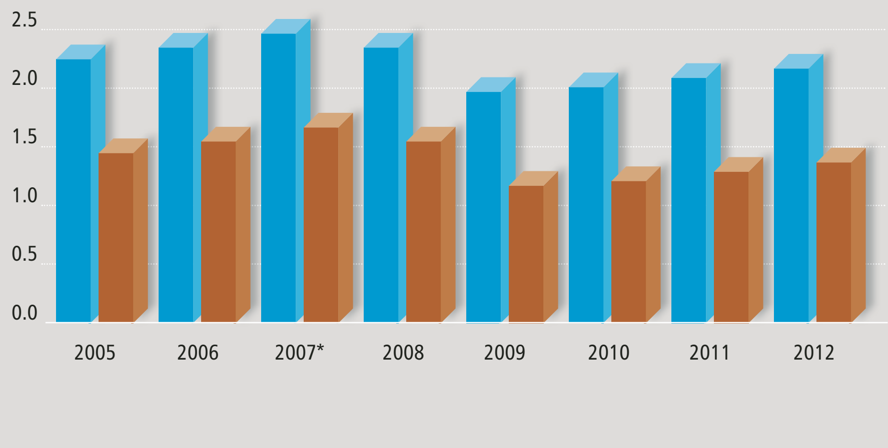
Unmodified Gross Assets by Industry Sector

at December 31, 2012



Gross Assets Insured

(expressed in trillions of U.S. dollars)



* 2007 was a split policy year.

The scale and complexity of today's energy projects is significant and challenging in the face of natural and man-made risks.

FINANCIAL AND INVESTMENT REVIEW

One of the reasons OIL consistently achieves its investment goals is the rigorous approach we take to managing investment risk.

From year to year, OIL's investment goals remain constant: to provide adequate liquidity to enable us to meet our obligations to members while also endeavoring to preserve and enhance asset values. I am extremely pleased to report that, through 2012, OIL once again successfully met these objectives. Over the past year, the organization smoothly paid our member claims and our invested assets posted strong returns that were significantly in excess of benchmarks.

One of the reasons OIL consistently achieves its investment goals is the rigorous approach we take to managing investment risk. The perpetual challenge we face is the volatile nature of our business – in both the underwriting and the investment functions. OIL is an organization which provides broad coverage limits with uncertain timing of loss payments. To mitigate this uncertainty, we regularly assess the extent of risk we are assuming – both in our investment portfolio and in the book of business we underwrite – to ensure that it remains within our stated tolerance. In addition, in 2012, we formalized our Enterprise Risk Management program by establishing a steering committee with representatives from the various areas of the organization that are prone to risk, including legal, investing and underwriting. The committee meets quarterly to monitor OIL's risk from a holistic perspective and is an enhancement to our risk management capabilities and analytics.

Our approach continues to pay off: At year-end, we had $6.5 billion in assets and $3.6 billion of shareholders' equity. For the year ended December 31, 2012, OIL reported net income of $646 million, which included underwriting income of $59 million, net investment income of $608 million offset by $21 million in general and administrative expenses. In 2012, net premiums written and earned were $672 million, with loss and loss expenses of $613 million. Total claim payments for the year amounted to $431 million.

In the investment function, the OIL investment board meets regularly to ensure that our portfolio's asset allocation remains aligned with the organization's overall goals and risk tolerance. In 2012, the board held a special strategic planning session to assess our investment approach and to determine if any adjustments needed to be made, given the evolution the organization has gone through in recent years. Meetings between management and the investment board offer an excellent opportunity for dialogue and ensure the continued

FINANCIAL AND INVESTMENT REVIEW

alignment of our portfolio with the company's objectives. Using current metrics, we affirmed that OIL's investments are within our tolerance for risk.

That said, we constantly look for ways to refine and enhance OIL's investment portfolio. In 2012 we reduced interest rate risk in our global bond portfolio by shortening duration. The Company also continued to increase diversification by shifting a portion of assets to emerging markets which have stronger growth potential and lower debt burden than developed markets.

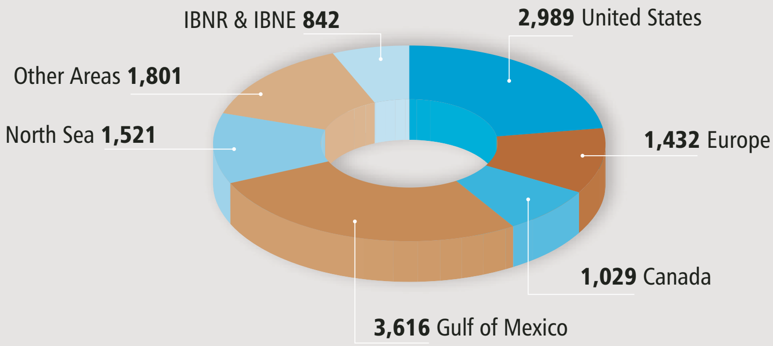
Despite the backdrop of volatility in the markets fuelled by political and economic uncertainty, particularly in the U.S. and Europe, OIL's well-diversified investment portfolio turned in very strong returns through 2012. At December 31, 2012, OIL's investment allocation was comprised of 12% cash and short duration bonds, 47% global bonds, 10% funds of hedge funds, and 31% global equities. OIL's return on its total invested assets for the year was 11.4%.

In addition to monitoring the risk we're assuming and managing our portfolio, our finance and investment teams are also responsible for staying in constant communication with ratings agencies and regulatory bodies to ensure we remain compliant with all applicable guidelines and codes of conduct. OIL's many achievements in 2012 were possible only through the perseverance and diligence of our employees, management team and investment board members. Thank you for your invaluable contribution and hard work.

Ricky E. Lines,
Senior Vice President
& Chief Financial Officer

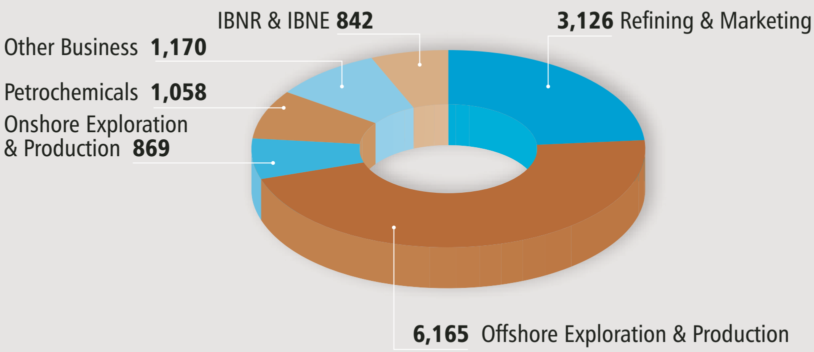
Net Incurred Losses by Geographic Region (1972 - 2012)

(expressed in U.S. dollars)



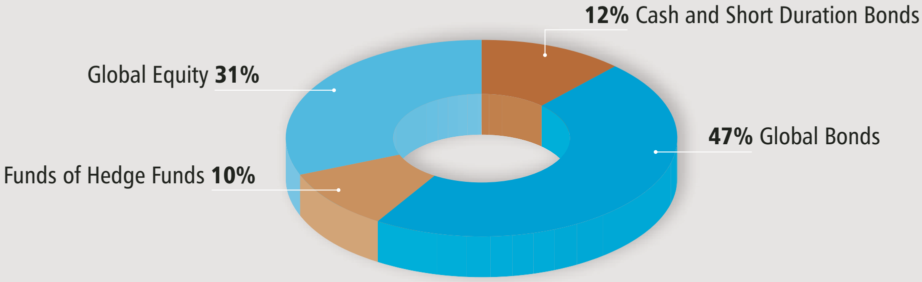
Net Incurred Losses by Industry Sector (1972 - 2012)

(expressed in U.S. dollars)



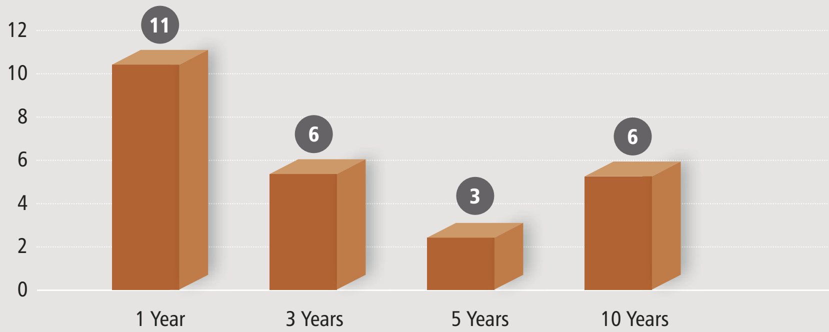
Asset Allocation

at December 31, 2012



OIL Total Annualized Investment Returns

for the periods ending December 31, 2012
(expressed in percentage returns)



An increasingly important region for the energy industry will be the Northern latitudes and the Arctic region. Dealing with the extremes of these environments creates unique challenges for the industry and its insurers.

FINANCIAL SECTION

FINANCIAL STATEMENTS

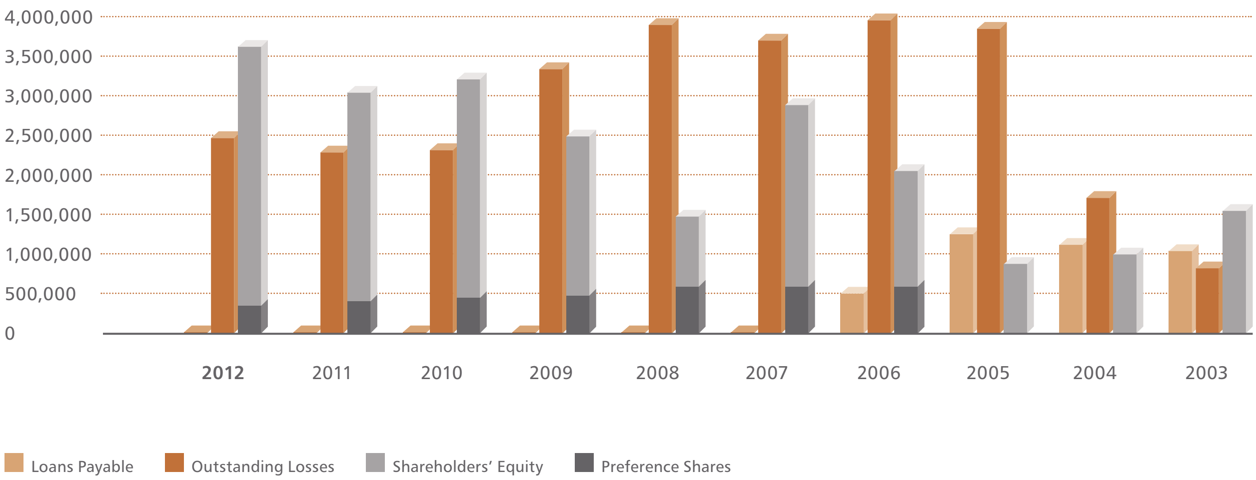
Ten-Year Summary

Years Ended December 31 (Expressed in thousands of United States Dollars)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Premiums Earned	**672,485**	543,425	783,688	891,115	718,586	1,016,819	1,197,330	2,620,806	442,835	422,177
Net Income (Loss)	**646,103**	(104,636)	781,780	1,100,270	(1,359,879)	875,730	607,451	(118,478)	(548,410)	419,970
Financial Condition										
Total Assets	**6,450,657**	5,746,005	5,893,800	6,068,091	6,369,097	7,303,769	7,877,741	6,607,069	4,425,410	3,734,896
Shareholders' Equity	**3,611,771**	3,033,147	3,200,635	2,481,884	1,471,395	2,876,662	2,046,297	875,929	994,387	1,542,807
Ratios										
Loss Ratio	**91.1%**	110.2%	53.9%	58.2%	134.9%	52.9%	82.5%	106.6%	273.5%	79.9%
Expense Ratio	**3.2%**	3.4%	2.0%	3.5%	3.7%	3.0%	2.6%	2.5%	5.2%	4.1%
Combined Ratio	**94.3%**	113.6%	55.9%	61.7%	138.6%	55.9%	85.1%	109.1%	278.7%	84.0%

Summary of Total Liabilities & Shareholders' Equity

Years Ended December 31 (Expressed in thousands of United States Dollars)



Consolidated Balance Sheets

December 31, 2012 and 2011 (Expressed in thousands of United States Dollars)

	2012	2011
Assets		
Cash and cash equivalents (Notes 2(l) and 4(b))	$ 671,927	$ 282,441
Investments in marketable securities, hedge funds		
and derivatives (Notes 3 and 4)	5,603,471	5,255,944
Investment sales pending settlement	32,488	82,853
Accrued investment income	25,936	30,220
Amounts due from affiliates (Note 9(b))	36	59
Retrospective premiums receivable (Note 2(c))	102,115	91,741
Accounts receivable (Note 2(b))	12,584	22
Other assets	2,100	2,725
Total assets	$ 6,450,657	$ 5,746,005
Liabilities		
Outstanding losses and loss expenses (Note 5)	$ 2,461,518	$ 2,280,278
Retrospective premiums payable (Note 2(c))	3,769	1,313
Premiums received in advance	25,587	22,666
Securities sold short (Notes 2(k), 3 and 4)	224,842	116,433
Investment purchases pending settlement	109,235	285,023
Amounts due to affiliates (Note 9(b))	2,823	1,523
Accounts payable	11,112	5,622
Total liabilities	2,838,886	2,712,858
Shareholders' equity		
Preferred shares (Note 6)	344,654	402,458
Common shares (Note 8)	530	520
Retained earnings	3,266,587	2,630,169
Total shareholders' equity	3,611,771	3,033,147
Total liabilities and shareholders' equity	$ 6,450,657	$ 5,746,005

See accompanying notes to consolidated financial statements

FINANCIAL STATEMENTS

Consolidated Statements of Operations

Years Ended December 31, 2012 and 2011 (Expressed in thousands of United States Dollars)

	2012	2011
Premiums written (Note 2(b))	$ 633,963	$ 558,141
Retrospective premiums (Note 2(c))	38,522	(14,716)
Premiums written and earned	672,485	543,425
Discount earned on retrospective premiums receivable (Note 2(c))	215	1,062
Losses and loss expenses incurred (Note 5)	(612,540)	(599,109)
Acquisition costs	(526)	(323)
Net underwriting income (loss)	59,634	(54,945)
Interest income	102,052	103,667
Net gains (losses) on investments (Note 3)	506,652	(143,904)
Dividend income	27,486	31,807
Investment advisory and custodian fees	(27,631)	(22,619)
Interest expense and financing costs	(705)	(787)
Net investment income (loss)	607,854	(31,836)
General and administrative expenses (Note 9(a))	(21,385)	(17,855)
Net income (loss)	$ 646,103	$ (104,636)

See accompanying notes to consolidated financial statements

Consolidated Statements of Changes in Shareholders' Equity

Years Ended December 31, 2012 and 2011 (Expressed in thousands of United States Dollars)

		Common shares			
	Preferred shares	Number of shares		Retained earnings	Total
Balance at December 31, 2010	$ 443,835	54	$ 540	$ 2,756,260	$ 3,200,635
Shares issued in year	—	3	30	—	30
Shares redeemed in year	—	(5)	(50)	—	(50)
Net loss	—	—	—	(104,636)	(104,636)
Preferred share repurchase	(41,377)	—	—	—	(41,377)
Gain on preferred share repurchase	—	—	—	3,060	3,060
Dividends paid on preferred shares	—	—	—	(24,515)	(24,515)
Balance at December 31, 2011	402,458	52	520	2,630,169	3,033,147
Shares issued in year	—	2	20	—	20
Shares redeemed in year	—	(1)	(10)	—	(10)
Net income	—	—	—	646,103	646,103
Preferred share repurchase	(57,804)	—	—	—	(57,804)
Gain on preferred share repurchase	—	—	—	3,002	3,002
Dividends paid on preferred shares	—	—	—	(12,687)	(12,687)
Balance at December 31, 2012	$ 344,654	53	$ 530	$ 3,266,587	$ 3,611,771

See accompanying notes to consolidated financial statements

Consolidated Statements of Cash Flows

Years Ended December 31, 2012 and 2011 (Expressed in thousands of United States Dollars)

	2012	2011
Cash flows from operating activities		
Net income (loss)	$ 646,103	$ (104,636)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Net (gains) losses on investments	(506,652)	143,904
Accrued investment income	4,284	(408)
Amounts due from affiliates	23	28
Retrospective premiums receivable	(10,374)	62,862
Accounts receivable	(12,562)	37,686
Other assets	625	62
Outstanding losses and loss expenses	181,240	(29,667)
Retrospective premiums payable	2,456	(4,225)
Premiums received in advance	2,921	(40,720)
Amounts due to affiliates	1,300	471
Accounts payable	5,490	480
Proceeds from the sale of investments (Note 12)	12,413,276	8,100,300
Purchase of investments (Note 12)	(12,370,486)	(8,064,148)
Proceeds from the sale of securities sold short (Note 12)	710,292	213,178
Purchase of securities sold short (Note 12)	(610,971)	(219,454)
Net cash provided by operating activities	456,965	95,713
Cash flows from financing activities		
Repurchase of preferred shares, net of issuance costs	(54,802)	(38,317)
Issuance (repurchase) of common shares, net	10	(20)
Dividends paid on preferred shares	(12,687)	(24,515)
Net cash used by financing activities	(67,479)	(62,852)
Net increase in cash and cash equivalents	389,486	32,861
Cash and cash equivalents at beginning of year	282,441	249,580
Cash and cash equivalents at end of year	$ 671,927	$ 282,441

See accompanying notes to consolidated financial statements

1. Nature of the business

Oil Insurance Limited (the "Company") was incorporated under the laws of Bermuda on December 14, 1971 and carries on business as an insurance and reinsurance company insuring specific property, pollution liability, control of well and other similar risks of its members, of which there were 53 companies (as at December 31, 2012). The members comprise companies in the energy industry. The Company holds a Class 2 license under The Insurance Act 1978 of Bermuda and related regulations.

Effective January 1, 2012, coverage provided to each insured is limited to $300 million per occurrence for non-Atlantic Named Windstorm events. There is no annual aggregate limit for each insured, however, there is an aggregation limit in place for multiple claims arising from a single occurrence of $900 million. Prior to January 1, 2012, the Company's per occurrence and aggregation limits for non-Atlantic Named Windstorm events was $250 million and $750 million, respectively.

During 2009, the shareholders approved an amendment to the windstorm coverage due to increased tropical windstorm claims incurred in recent years, to take effect from January 1, 2010. The revised coverage has resulted in newly-designated onshore and offshore windstorm pools. The amendment resulted in a reduction to the per occurrence limit from $250 million to $150 million for Atlantic Named Windstorm ("ANWS") losses and only the ANWS losses up to an aggregate annual retention of $300 million are mutualized among all members with any ANWS losses above that amount being mutualized among the ANWS pool members only.

2. Summary of significant accounting policies

The accompanying Consolidated Financial Statements are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. The following are the significant accounting policies adopted by the Company:

(a) Principles of consolidation

These Consolidated Financial Statements include the results of the Company and its wholly-owned subsidiary, Oil Investment Corporation Ltd. ("OICL") which was established to hold the Company's investment portfolios. All intercompany transactions are eliminated on consolidation.

(b) Premiums and acquisition costs

Premiums are recorded on an accruals basis. All premiums written are earned at the balance sheet date.

In 2012, the Company recorded withdrawal premiums totaling $12.5 million (2011 - $Nil) due from members who elected to withdraw and redeem their shares in the Company. Under the terms of the Rating and Premium Plan, all members are charged a withdrawal premium upon their withdrawal from the Company.

Acquisition costs, consisting primarily of commissions, are charged to income on a pro rata basis over the term of each policy. As policies generally have the same coverage period as the Company's fiscal period, there are no deferred acquisition costs at the balance sheet date.

(c) Retrospective premiums

Certain of the Company's insurance policies provide for the receipt of retrospective premiums relating to losses incurred by its insureds, with such payments being receivable over a five year period. Retrospective premiums are recognized as premiums written and earned in the Consolidated Statement of Operations in the year in which the loss is incurred and are adjusted periodically in accordance with changes in the estimates of underlying losses. Retrospective premiums receivable are non-interest bearing and, accordingly, are discounted at prevailing interest rates and this discount is accreted over the collection period. For the year ended December 31, 2012 this rate is approximately 0.36% (2011 - 0.36%). Discount accreted on the retrospective premium receivable is recorded in the Consolidated Statement of Operations.

2. Summary of significant accounting policies (continued)

(d) Outstanding losses and loss expenses

The reserve for outstanding losses and loss expenses represents current estimates of reported losses and loss expenses based upon the judgment of the Company's claims personnel and reports received from independent loss adjusters and legal counsel plus a provision for losses incurred but not reported ("IBNR") based on the recommendations of an independent actuary using the past loss experience of the Company.

Management is of the opinion that the recorded reserves are adequate to cover the ultimate cost of losses incurred to date, but the provisions are necessarily estimates based upon information currently known and may ultimately be settled for a significantly greater or lesser amount. It is at least reasonably possible that management will revise these estimates significantly in the near term. Any subsequent differences are recorded in the period in which they are determined.

The establishment of the provision for outstanding losses and loss adjustment expenses is based upon known facts and interpretation of circumstances and is therefore a complex and dynamic process influenced by a large variety of factors. In establishing a provision for unpaid claims and claims expenses related to environmental exposure and clean-up, management considers facts currently known, the current state of laws and litigation and current estimates of reported losses and loss expenses. Liabilities are recognized for known claims when sufficient information has been developed to indicate the involvement of a specific policy, and management can reasonably estimate the Company's liability. In addition, a provision for adverse development for reported notifications and incurred but not reported claims is recorded based on the recommendations of an independent actuary using the past loss history of the Company and industry data.

Amounts recoverable from reinsurers are estimated in a manner consistent with the underlying liabilities.

(e) Subrogation recoveries

In the normal course of business the Company pursues recovery of certain losses through subrogation claims. Subrogation proceeds are recorded as a reduction of losses incurred in the year in which agreement of the recovery is determined. Subrogation recoveries for the year amounted to $Nil (2011 - $23.1 million).

(f) Investments and investment income

Investments are classified as trading and are carried in the Consolidated Balance Sheet at fair value. Realized and unrealized gains and losses are included in the Consolidated Statement of Operations. Security transactions are accounted for on a trade date basis with investment purchases and sales pending settlement accrued in the Consolidated Balance Sheet. Investments in hedge funds and fund of funds are carried at fair value. The units of account that are valued by the Company are its interest in the funds and not the underlying holdings of such funds. Thus, the inputs used by the Company to value its investments in each of the funds may differ from the inputs used to value the underlying holdings of such funds. These funds are stated at fair value, which ordinarily will be the most recently reported net asset value as reported by their investment managers or third party administrators. The use of net asset value as an estimate of the fair value for investments in certain entities that calculate the net asset value is a permitted practical expedient. The change in the fair value of hedge fund investments is included in the Consolidated Statement of Operations.

Investment gains and losses are computed using the average costs of securities sold and are recorded in the Consolidated Statement of Operations. Dividend income, net of withholding tax, is recorded when declared. Interest income is accrued to the balance sheet date.

Short term investments comprise securities due to mature within one year of the balance sheet date.

(g) Derivative financial instruments

The Company recognizes all derivatives as either assets or liabilities in the Consolidated Balance Sheet and measures those instruments at fair value. All changes in the fair value of derivatives are recorded in the Consolidated Statement of Operations. None of the derivatives used by the Company are designated as accounting hedges. Derivatives are used by the Company to mitigate certain risks inherent in holding the underlying debt or equity securities, or are designed to provide exposure to certain sectors or markets and to enhance investment returns. The unrealized gains or losses arising from derivative financial instruments are not separately classified as assets or liabilities in the Consolidated Balance Sheet; they are classified with the underlying debt and equity securities they are designed to hedge or enhance (see Notes 3 and 4).

(h) Deferred debt issuance costs

The Company defers direct costs associated with the issuance of debt instruments and amortizes such costs on a straight-line basis over the term of the relevant debt agreement.

(i) Translation of foreign currency investments and losses

The costs of foreign currency investments are translated at exchange rates in effect on the date of purchase; fair values are translated at year end exchange rates. Reserves for outstanding losses denominated in foreign currencies are translated at exchange rates in effect at the balance sheet date. Realized and unrealized exchange gains and losses are included in the Consolidated Statement of Operations.

(j) Fair value of financial instruments

The following methods and assumptions are used by the Company in estimating the fair value of its financial instruments:

Investments: Fair values of fixed maturity securities, long and short positions in equity securities and short term investments are based on market prices quoted by broker dealers in that market or quoted on the relevant exchange. Hedge fund investments, which are investments in fund of funds and investments in other hedge funds that are domiciled outside the United States of America, are valued using the net asset values obtained from the investment managers or administrators of the respective investment funds. These investment entities generally carry their investments at fair value.

Cash and cash equivalents: The carrying amounts reported in the Consolidated Balance Sheet for these instruments approximate their fair values.

Derivatives: The fair values of these instruments are based on quoted market prices. Where quoted market prices are not available, fair value is based upon prices provided by the counterparty.

Other assets and liabilities: The fair values of investment purchases and sales pending settlement, amounts due from/to affiliates, premiums received in advance and accounts payable approximate their carrying value due to the immediate or short-term maturity of these financial instruments. Retrospective premiums receivable and payable are carried at the discounted present value of future cash flows which approximates their fair value.

The estimates of fair value presented herein are subjective in nature and are not necessarily indicative of the amounts that the Company could realize in a current market exchange. Any differences are not expected to be material. All non-financial instruments such as deferred acquisition costs, other assets and financial instruments related to insurance contracts such as outstanding losses and loss expenses are excluded from fair value disclosure. Thus the total fair value amounts cannot be aggregated to determine the underlying economic value of the Company.

(k) Short selling

The Company may sell a security it does not own in anticipation of a decline in the fair value of that security. The Company must borrow the security or enter into an arrangement to borrow the security before the Company sells a security short. The Company is required to maintain collateral with the broker-dealer from which the security was borrowed. A gain, limited to the price at which the Company sold the security short, or a loss, unlimited in size, will be recognized upon the termination of a short sale. The Company is also subject to the risk that it may be unable to reacquire a security to close a short position except at a price substantially in excess of the last quoted price. Realized and unrealized gains and losses arising from short sales are recorded within net gains on investments in the Consolidated Statement of Operations. Securities sold short are recorded as liabilities in the Consolidated Balance Sheet at fair value.

(l) Cash and cash equivalents

For the purposes of the Consolidated Statement of Cash Flows, cash equivalents include time deposits with an original maturity period of ninety days or less.

As at December 31, 2012, cash in the amount of $142.3 million (2011 - $15.1 million) was on deposit with counterparties as collateral for securities sold short and positions held in derivative financial instruments (Note 4).

3. Investments

The fair values of investments as at December 31, 2012 and 2011 are as follows:

	2012 ($'000)	2011 ($'000)
Short Term Investments	$ **403,040**	$ 367,362
Derivatives	**14,188**	23,252
Equity Securities	**1,813,859**	1,560,255
Hedge Fund Investments	**593,816**	546,974
Fixed Maturities		
US Treasury and Government Agency	**162,744**	119,673
State and Municipal Bonds	**29,532**	53,181
Non-US Government Bonds	**733,850**	686,214
Supranationals	**78,541**	62,685
Corporate Bonds	**1,148,682**	1,118,756
Asset Backed Securities	**250,858**	190,039
Mortgage-Backed Securities	**374,361**	527,553
Total Fixed Maturities	**2,778,568**	2,758,101
Total Investments in Marketable Securities, Hedge Funds and Derivatives	$ **5,603,471**	$ 5,255,944

In the above table mortgage-backed securities issued by US government agencies are combined with other mortgage-backed securities held and are included in the category "Mortgage-Backed Securities". Approximately 41% (2011 - 62%) of the total mortgage-backed holdings at December 31, 2012 are represented by investments in GNMA, FNMA and FHLMC securities. The remainder of the mortgage exposure consists of collateralized mortgage obligations and non-government issued securities, the majority of which have investment grade credit ratings.

At December 31, 2012, Fixed Maturities and Short Term Investments with credit ratings below investment grade had a fair value of $325.2 million (2011 - $257.8 million), using the lower rating as determined by Standard & Poor's and Moody's Investors Services. These securities had an unrealized gain of $22.7 million (2011 - $15.8 million loss) at the same date, which has been recorded in the Consolidated Statement of Operations.

At December 31, 2012, $2.2 billion (2011 - $2.0 billion) of investments are held in joint custody accounts with Oil Casualty Investment Corporation Ltd., a company affiliated through common ownership. Under the terms of the joint custody agreement the Company owns 93.0% (2011 - 93.0%) of each security held in these joint custody accounts. The Company records its proportionate share of the investment assets, liabilities, income, net realized and unrealized gains and losses within these Consolidated Financial Statements.

The gross realized gains and gross realized losses on investments and the change in unrealized gains and losses for the years ended December 31, 2012 and 2011 are as follows:

	2012 ($'000)	2011 ($'000)
Gross realized gains on investments	**$ 1,444,719**	$ 1,270,042
Gross realized losses on investments	**(1,346,670)**	(1,131,050)
Gross realized gains on derivative instruments	**362,147**	570,438
Gross realized losses on derivative instruments	**(303,234)**	(545,453)
Change in net unrealized gains and losses during the year on investments	**358,754**	(304,643)
Change in net unrealized gains and losses during the year on derivative instruments	**(9,064)**	(3,238)
Net gains (losses) on investments	**$ 506,652**	$ (143,904)

During the year ended December 31, 2012, the change in net unrealized gains and losses on investments was attributable to movements in the fair value of the Company's equity securities, hedge fund investments and fixed maturities of $194.78 million gain (2011 - $252.7 million loss), $52.8 million gain (2011 - $13.7 million loss) and $111.2 million gain (2011 - $38.2 million loss), respectively.

Under U.S. GAAP the Company is required to determine the appropriate level in the fair value hierarchy for each fair value measurement. The fair value hierarchy prioritizes the inputs, which refer broadly to assumptions market participants would use in pricing an asset or liability, into three levels. It gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date. Level 2 inputs are those which are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar observable market data.

Level 1 instruments include cash and certain cash instruments such as money market funds, short term investments, U.S. treasury securities and exchanged traded equities. Level 2 financial instruments include sovereign debt, corporate debt, U.S. agency and non-agency mortgage and asset-backed securities and derivatives.

Level 3 includes financial instruments whose value is based on valuation techniques that use significant inputs which are unobservable. These measurements include circumstances in which there is little, if any, market activity for the asset or liability. In making the assessment, the Company considers factors specific to the asset or liability and such an assessment will involve significant management judgment. Because of the inherent uncertainty in the valuation of these Level 3 investments, fair values of such investments may differ from the values that would have been used had a ready market for these investments existed, and the differences could be material.

Fair value prices for all securities in the fixed maturities portfolio are independently provided by the investment custodian and the investment managers, which each utilize internationally recognized independent pricing services. The Company records the unadjusted price provided by the investment custodian or the investment accounting service provider and validates this price through a process that includes, but is not limited to: (i) comparison to the price provided by the investment manager, with significant differences investigated; (ii) quantitative analysis (e.g. comparing the quarterly return for each managed portfolio to its target benchmark, with significant differences identified and investigated); (iii) evaluation of methodologies used by external pricing sources to calculate fair value; and (iv) comparing the price to the Company's knowledge of the current investment market.

The independent pricing services used by the investment custodian, investment accounting service provider and investment managers obtain actual transaction prices for securities that have quoted prices in active markets. Each pricing service has its own proprietary method for determining the fair value of securities that are not actively traded. In general, these methods involve the use of "matrix pricing" in which the independent pricing service uses observable market inputs including, but not limited to, reported trades, benchmark yields, broker/dealer quotes, interest rates, prepayment speeds, default rates and such other inputs as are available from market sources to determine a reasonable fair value. In addition, pricing services use valuation models to develop prepayment and interest rate scenarios.

3. Investments (continued)

For all assets classified as Level 2, the market approach is utilized. The significant inputs used to determine the fair value of those assets classified as Level 2 are as follows:

— Non-U.S. government securities consist of bonds issued by non-U.S. governments and agencies along with supranational organizations. The significant inputs include the spread above the risk-free yield curve, reported trades and broker/dealer quotes. These are considered to be observable market inputs and, therefore, the fair values of these securities are classified within Level 2.

— Corporate securities consist primarily of investment-grade debt of a wide variety of corporate issuers and industries. The fair values of these securities are determined using the spread above the risk-free yield curve, reported trades, broker/dealer quotes, benchmark yields, industry and market indicators. These are considered observable market inputs and, therefore, the fair value of these securities are classified within Level 2.

— Municipal securities consist primarily of bonds issued by U.S. domiciled state and municipality entities. The fair values of these securities are determined using the spread above the risk-free yield curve, reported trades, broker/dealer quotes and benchmark yields. These are considered observable market inputs and, therefore, the fair value of these securities are classified within Level 2.

— Asset-backed securities consist primarily of investment-grade bonds backed by pools of loans with a variety of underlying collateral. The significant inputs used to determine the fair value of these securities includes the spread above the risk-free yield curve, reported trades, benchmark yields, broker/dealer quotes, prepayment speeds, and default rates. These are considered observable market inputs and, therefore, the fair value of these securities are classified within Level 2.

— Residential and commercial mortgage-backed securities include both agency and non-agency originated securities. Agency originated securities include securities issued by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and other U.S. government agencies. The significant inputs used to determine the fair value of these securities includes the spread above the risk-free yield curve, reported trades, benchmark yields, broker/dealer quotes, prepayment speeds, and default rates. These are considered observable market inputs and, therefore, the fair value of these securities are classified within Level 2.

The ability to obtain quoted market prices is reduced in periods of decreasing liquidity, which generally increases the use of matrix pricing methods and generally increases the uncertainty surrounding the fair value estimates. This could result in the reclassification of a security between levels of the fair value hierarchy.

The Company invests in hedge “fund of funds” which invest in a number of underlying funds, following different investment strategies. As of December 31, 2012, the “fund of fund” portfolio was invested in a variety of strategies, with the common strategies being long/short equity, global macro, event driven, fundamental equity and commodities. In general, the fund of funds in which the Company is invested require at least 95 days’ notice of redemption, and may be redeemed on a quarterly or semi-annual basis, depending on the fund of fund. Certain fund of funds have a lock-up period. A lock-up period refers to the initial amount of time an investor is contractually required to invest before having the ability to redeem. Fund of funds that do provide for periodic redemptions may, depending on the fund of funds’ governing documents, have the ability to deny or delay a redemption request, called a “gate”. The fund of fund may implement this restriction because the aggregate amount of redemption requests as of a particular date exceeds a specified level, generally ranging from 20% to 35% of the fund of fund’s net assets. The gate is a method for executing an orderly redemption process that allows for redemption request to be executed in a timely manner to reduce the possibility of adversely affecting the remaining investors in the fund of fund. Typically, the imposition of a gate delays a portion of the requested redemption, with the remaining portion settled in cash sometime after the redemption date. Certain fund of funds may be allowed to invest a portion of their assets in illiquid securities, such as private equity or convertible debt. In such cases, a common mechanism used is a side-pocket, whereby the illiquid security is assigned to a separate memorandum capital account or designated account. Typically the investor loses its redemption rights in the designated account. Only when the illiquid security is sold, or otherwise deemed liquid by the fund of fund, may investors redeem their interest in the side-pocket. As of December 31, 2012, the fair value of hedge funds held in lock ups, side-pockets or gates was $21.0 million (2011 - $29.7 million).

Certain hedge fund investments have a redemption notice period and frequency that is not considered to be in the near term; these investments are classified as Level 3 in the hierarchy. As of December 31, 2012, the remaining hedge fund portfolio investments are classified as Level 2 in the fair value hierarchy, the Company can reasonably estimate when it will be able to redeem its investments at the net asset value, and the redemption period is considered to be in the near term.

The Company has ongoing due diligence processes with respect to funds in which it invests and their managers. These processes are designed to assist the Company in assessing the quality of information provided by, or on behalf of, each fund and in determining whether such information continues to be reliable or whether further review is warranted. Certain funds do not provide full transparency of their underlying holdings; however the Company obtains the audited financial statements for the fund of fund managers annually, and regularly reviews and discusses the fund performance with the fund managers to corroborate the reasonableness of the reported net asset values. While reported net asset value is the primary input to the review, when the net asset value is deemed not to be indicative of fair value, the Company may incorporate adjustments to the reported net asset value and not use the permitted practical expedient on an investment by investment basis. These adjustments may involve significant management judgment. The Company has not made any such adjustments for the year ended December 31, 2012 or 2011.

Derivative financial instruments that have quoted prices on a recognized exchange, such as futures and option contracts, are classified as Level 1. Over the counter derivative instruments such as interest rate swaps, foreign exchange forward contracts and credit default swaps, whose prices are based upon reports from counterparties of the transaction or observable market inputs, are classified as Level 2.

A review of fair value hierarchy classifications is conducted on a quarterly basis. Changes in the observability of valuation inputs may result in a reclassification for certain financial assets and liabilities. Reclassifications between Level 1, 2 and 3 of the fair value hierarchy are reported as transfers in and/or out as of the beginning of the quarter in which the reclassifications occur.

3. Investments (continued)

The following tables summarize the levels of inputs used as of December 31, 2012 and 2011, in determining the classification of investment assets and liabilities held at fair value:

December 31, 2012 **Assets**	**Level 1 ($'000)**	**Level 2 ($'000)**	**Level 3 ($'000)**	**Total ($'000)**
Short Term Investments	$ 105,369	$ 297,473	$ 198	$ 403,040
Derivatives, net	—	14,188	—	14,188
Equity Securities	1,813,859	—	—	1,813,859
Hedge Fund Investments	—	379,461	214,355	593,816
US Treasury and Government Agency	162,744	—	—	162,744
State and Municipal Bonds	—	29,532	—	29,532
Non-US Government Bonds	—	733,850	—	733,850
Supranationals	—	78,541	—	78,541
Corporate Bonds	—	1,138,369	10,313	1,148,682
Asset Backed Securities	—	250,153	705	250,858
Mortgage-Backed Securities	—	372,530	1,831	374,361
Total	$ 2,081,972	$ 3,294,097	$ 227,402	$ 5,603,471

December 31, 2012 **Liabilities**	**Level 1 ($'000)**	**Level 2 ($'000)**	**Level 3 ($'000)**	**Total ($'000)**
Equity Securities sold short	224,842	—	—	224,842
Total	$ 224,842	$ —	$ —	$ 224,842

December 31, 2011 **Assets**	**Level 1 ($'000)**	**Level 2 ($'000)**	**Level 3 ($'000)**	**Total ($'000)**
Short Term Investments	$ 171,218	$ 191,143	$ 5,001	$ 367,362
Derivatives, net	—	23,252	—	23,252
Equity Securities	1,560,255	—	—	1,560,255
Hedge Fund Investments	—	346,420	200,554	546,974
US Treasury and Government Agency	119,673	—	—	119,673
State and Municipal Bonds	—	53,181	—	53,181
Non-US Government Bonds	—	686,214	—	686,214
Supranationals	—	62,685	—	62,685
Corporate Bonds	—	1,113,824	4,932	1,118,756
Asset Backed Securities	—	189,036	1,003	190,039
Mortgage-Backed Securities	—	527,553	—	527,553
Total	$ 1,851,146	$ 3,193,308	$ 211,490	$ 5,255,944

December 31, 2011 **Liabilities**	**Level 1 ($'000)**	**Level 2 ($'000)**	**Level 3 ($'000)**	**Total ($'000)**
Equity Securities sold short	116,433	—	—	116,433
Total	$ 116,433	$ —	$ —	$ 116,433

The following tables present the reconciliation of the beginning and ending fair value measurements of the Company's Level 3 assets, measured at fair value using significant unobservable inputs for the years ended December 31, 2012 and 2011:

	Short Term Investments ($'000)	Hedge Fund Investments ($'000)	Corporate Bonds ($'000)	Asset Backed Securities ($'000)	Mortgage -Backed Securities ($'000)	Total ($'000)
Beginning balance at January 1, 2012	$ 5,001	$ 200,554	$ 4,932	$ 1,003	$ —	$ 211,490
Purchases and issuances	—	—	4,376	—	1,818	6,194
Sales and settlements	(4,761)	—	—	(363)	—	(5,124)
Transfers into Level 3	—	—	487	—	—	487
Transfers out of Level 3	—	—	—	—	—	—
Realized and unrealized gains included in net loss for the year	(42)	13,801	518	65	13	14,355
Ending balance at December 31, 2012	$ 198	$ 214,355	$ 10,313	$ 705	$ 1,831	$ 227,402

	Short Term Investments ($'000)	Hedge Fund Investments ($'000)	Corporate Bonds ($'000)	Asset Backed Securities ($'000)	Mortgage -Backed Securities ($'000)	Total ($'000)
Beginning balance at January 1, 2011	$ 5,246	$ 184,892	$ 4,889	$ 21	$ —	$ 195,048
Purchases and issuances	1,450	15,000	3,733	—	—	20,183
Sales and settlements	(4,999)	—	—	(360)	—	(5,359)
Transfers into Level 3	—	—	—	1,335	—	1,335
Transfers out of Level 3	—	—	—	—	—	—
Corporate Bonds to Short Term Investments classification change	3,175	—	(3,175)	—	—	—
Realized and unrealized gains included in net loss for the year	129	662	(515)	7	—	283
Ending balance at December 31, 2011	$ 5,001	$ 200,554	$ 4,932	$ 1,003	$ —	$ 211,490

During the year ended December 31, 2012, the transfer into Level 3 Corporate Bonds of $487 thousand is due to a reclassification from Level 2 based on their fair value measurement not meeting Level 2 classification criteria at the balance sheet date. There were no other transfers in or out of Levels 1, 2 or 3 during the year ended December 31, 2012.

During the year ended December 31, 2011, securities with a fair value of $3.2 million were transferred from Corporate Bonds to Short Term Investments based on their maturity date. The transfer into Level 3 Asset Back Securities of $1.3 million is due to a reclassification from Level 2 based on their fair value measurement not meeting Level 2 classification criteria at the balance sheet date. There were no other transfers in or out of Levels 1, 2 or 3 during the year ended December 31, 2011.

4. Commitments and contingencies

(a) Derivative Instruments

The Company's investment guidelines permit, subject to specific approval, investment in derivative instruments such as futures and option contracts, interest rate swaps and forward foreign currency contracts. Their use is regularly monitored and they are used for yield enhancement, duration management, interest rate and foreign currency exposure management or to obtain an exposure to a particular financial market. The Company's use of derivative instruments with embedded leverage such as futures, swaps and options contracts may increase the Company's investment risk.

The tables below show the fair value of the Company's derivative instruments recorded in Investments in Marketable Securities, Hedge Funds and Derivatives in the Consolidated Balance Sheet as of December 31, 2012 and 2011:

	Derivative Assets	Derivative Liabilities
	2012	2012
	Fair Value ($'000)	Fair Value ($'000)
Interest rate swaps	$ 2,246	$ 1,911
Credit default swaps	27	116
Equity swaps	7,419	1,267
Fixed income and currency options	2,092	2,472
Forward foreign currency contracts	18,652	16,727
Equity futures	2,938	—
Interest rate futures	5,454	2,147
Total	$ 38,828	$ 24,640

	Derivative Assets	Derivative Liabilities
	2011	2011
	Fair Value ($'000)	Fair Value ($'000)
Interest rate swaps	$ 4,846	$ 8,322
Credit default swaps	1,464	83
Equity swaps	1,927	680
Fixed income and currency options	932	227
Forward foreign currency contracts	31,360	13,326
Equity futures	277	27
Interest rate futures	6,193	1,082
Total	$ 46,999	$ 23,747

The tables below show the net realized gains and losses on the Company's derivative instruments recorded in the net gains (losses) on investments in the Consolidated Statement of Operations during the year ended December 31, 2012 and 2011:

	December 31, 2012		
	Net realized gains and losses ($'000)	Change in unrealized gains and losses ($'000)	Net gains and losses ($'000)
Interest rate swaps	$ (3,259)	$ 3,811	$ 552
Credit default swaps	1,164	(1,470)	(306)
Equity swaps	(4,905)	4,905	—
Fixed income and currency options	731	(1,085)	(354)
Forward foreign currency contracts	38,328	(16,109)	22,219
Equity futures	13,545	2,688	16,233
Interest rate futures	13,309	(1,804)	11,505
Total	$ 58,913	$ (9,064)	$ 49,849

	December 31, 2011		
	Net realized gains and losses ($'000)	Change in unrealized gains and losses ($'000)	Net gains and losses ($'000)
Interest rate swaps	$ 31,594	$ (37,006)	$ (5,412)
Credit default swaps	(910)	1,420	510
Equity swaps	(1,247)	1,247	—
Fixed income and currency options	13,171	4,375	17,546
Forward foreign currency contracts	(26,549)	19,573	(6,976)
Equity futures	(3,897)	232	(3,665)
Interest rate futures	12,823	6,921	19,744
Total	$ 24,985	$ (3,238)	$ 21,747

(i) Foreign currency exposure management

A forward foreign currency contract is a commitment to purchase or sell a foreign currency at a future date, at a negotiated rate. The unrealized gain or loss on open forward contracts represents the Company's net equity therein and is calculated as the difference between the contract date rate and the applicable forward rate at the reporting date as reported in published sources, applied to the face amount of the contract. The unrealized gain or loss at the reporting date is included in investments in marketable securities, hedge funds and derivatives in the Consolidated Balance Sheet. The Company utilizes forward foreign currency contracts to manage the impact of fluctuations in foreign currencies on the value of its foreign currency denominated investments.

Forward foreign currency contracts expose the Company to credit, market and liquidity risks. Credit risk arises from the potential inability of counterparties to perform under the terms of the contract. The Company is exposed to market risk to the extent that adverse changes occur in the exchange rate of the underlying foreign currency. This market risk is in excess of the amounts recognized in the Consolidated Balance Sheet. Liquidity risk represents the possibility that the Company may not be able to rapidly adjust the size of its forward positions in times of high volatility and financial stress at a reasonable price. The Company's investment guidelines only permit the use of counterparties carrying a credit rating of A3 or higher by the major rating agencies.

4. Commitments and contingencies (continued)

At December 31, 2012 and 2011, the Company had the following open forward foreign currency contracts:

	2012		2011	
Currency	**Notional receivable ($'000)**	**Notional payable ($'000)**	Notional receivable ($'000)	Notional payable ($'000)
AUD	**$ 2,546**	**$ (54,096)**	$ 53,253	$ (113,560)
BRL	**22,190**	**(13,445)**	6,422	(3,803)
CAD	**11,877**	**(27,129)**	38,403	(56,646)
CHF	**—**	**(11,262)**	473	(3,350)
CNY	**17,168**	**(10,319)**	35,508	(35,505)
CZK	**—**	**(2,079)**	—	(18,381)
DKK	**1,225**	**(2,363)**	1,204	(2,335)
EUR	**127,591**	**(599,768)**	382,597	(998,621)
GBP	**20,132**	**(194,469)**	33,161	(143,668)
INR	**12,835**	**(3,531)**	692	(725)
JPY	**23,374**	**(233,843)**	45,528	(178,995)
KRW	**3,518**	**(869)**	16,879	(4,769)
MXN	**53,694**	**(49,820)**	6,670	(12,875)
MYR	**11,024**	**(2,483)**	4,317	(994)
NOK	**1,618**	**(6,059)**	4,154	(7,840)
NZD	**2,459**	**(38,983)**	1,107	(23,098)
PHP	**13,813**	**(2,592)**	—	—
PLN	**20,465**	**(20,002)**	7,430	(6,000)
RUB	**15,245**	**(14,059)**	—	—
SEK	**2,415**	**(6,716)**	7,375	(9,487)
USD	**1,283,595**	**(365,824)**	1,619,321	(625,626)
Other	**22,994**	**(8,142)**	14,766	(14,948)
	$ 1,669,778	**$ (1,667,853)**	$ 2,279,260	$ (2,261,226)

At December 31, 2012, unrealized gains of $18.7 million (2011 - $31.4 million) and unrealized losses of $16.7 million (2011 - $13.3 million) on forward foreign exchange contracts are included in investments in marketable securities, hedge funds and derivatives in the Consolidated Balance Sheet.

(ii) Duration management, interest rate management and market exposure management

Futures

A portion of the Company's portfolio is invested in bond, note, money market, equity index and interest rate futures contracts. Such futures provide the Company with participation in market movements, determined by the underlying instrument or index on which the futures contract is based, without holding the instrument itself or the individual bonds or stocks in that index. This approach allows the Company more efficient and less costly access to bond and stock market exposure than would be available by the exclusive use of individual bonds and stocks. Exchange-traded bond and note futures contracts may also be used in the investment portfolios as substitutes for ownership of the physical bonds and notes.

All financial futures contracts are held on a non-leveraged basis, fully backed at all times by short-term investments and cash equivalents that are posted as margin collateral.

The unrealized gain or loss on financial futures contracts is calculated as the difference between the contract's price on the trade date and the contract's closing price on the valuation date as reported on the exchange on which the futures contracts are traded.

When entering a financial futures contract, the Company is required to provide initial margin which is a deposit of either cash or securities in an amount equal to a certain percentage of the contract value. The initial margin is adjusted to reflect changes in the value of the futures contract which are marked to market on a daily basis. The Company recognizes a realized gain or loss when the contract is closed. Futures contracts expose the Company to market and liquidity risks. The Company is exposed to market risk to the extent that adverse changes occur in the market values of the underlying securities or indices. This market risk is in excess of the amount recognized in the Consolidated Balance Sheet. Liquidity risk represents the possibility that the Company may not be able to rapidly adjust the size of its futures positions in times of high volatility and financial stress at a reasonable price. Exchange-traded futures are subject, however, to a number of safeguards to ensure that obligations are met, including the use of clearing houses, the posting of margins and the daily settlement of futures profits and losses and the amount of credit risk is therefore considered low.

At December 31, 2012 and 2011 the contractual values of financial futures contracts are:

	2012		2011	
	Long ($'000)	**Short ($'000)**	Long ($'000)	Short ($'000)
Equity index futures contracts	**158,786**	**—**	138,565	—
Bond and note futures contracts	**902,004**	**668,191**	511,828	272,842

The Company had gross gains of $8.4 million and gross losses of $2.1 million on open futures contracts for the year ended December 31, 2012 (2011 - $6.5 million and $1.1 million, respectively). These gains and losses are included in the Consolidated Statement of Operations. The Company holds a margin account with its futures broker for the purposes of paying and receiving cash in connection with its futures transactions. Gains and losses are settled daily in cash in this margin account.

4. Commitments and contingencies (continued)

Swaps and options

In order to manage interest rate exposure, portfolio duration or capitalize on anticipated changes in interest rate volatility, the Company may engage in interest rate swap transactions, buy and sell, call and put options and write call and put options if the options are secured by holdings in the underlying securities or by other means which would permit immediate satisfaction of the Company's obligation as a writer of the option contracts.

Swaps and option contracts are marked to market daily with unrealized gains and losses recorded in the Consolidated Statement of Operations.

At December 31, 2012 and 2011 the fair value of open interest rate swap contracts is:

	2012 ($'000)	2011 ($'000)
Interest rate swaps, net	**335**	(3,476)

Interest rate swap agreements involve the exchange by the Company with another party of their respective commitments to pay or receive interest (e.g. an exchange of floating rate payments for fixed rate payments) with respect to a notional amount of principal. Entering into these agreements involves to varying degrees, elements of credit and market risk in excess of the amounts recognized in the Consolidated Balance Sheet. Such risks involve the possibility that there will be no liquid market for these agreements, that the counterparty to the agreements may default on its obligation to perform, or that there may be unfavorable changes in interest rates.

At December 31, 2012 and 2011 the fair value of open fixed income and currency option contracts is:

	2012 ($'000)	2011 ($'000)
Options purchased	**2,092**	932
Options written (liability)	**(2,472)**	(227)

Premiums received for open written options amounted to $2.4 million (2011 - $1.3 million).

Option contracts provide the option purchaser with the right, but not the obligation, to buy or sell a financial instrument at a predetermined exercise price during a defined period. The option writer is obligated to buy or sell the item underlying the contract at a set price, if the option purchaser chooses to exercise the option. As a purchaser of an option contract, the Company is subject to credit risk since the counterparty is obligated to make payments under the terms of the option contract if the Company exercises the option and the Company is only subject to market risk to the extent of the premium paid. As a writer of an option contract, the Company is not subject to credit risk but is subject to market risk, since the Company is obligated to make payments under the terms of the option contract if exercised.

The Company uses credit default swaps as a way to manage credit risk to an individual issuer or a basket of issuers. When the Company buys protection, the Company pays a premium to the seller of the protection for the right to receive the par value of the bond in the event of default by the issuer, thereby reducing the Company's credit risk.

(b) Concentrations of credit risk

The investment portfolio is managed following prudent standards of diversification across counterparties, issuers, asset classes and geographical regions. Investments are allocated over three broad asset classes which are global equity, global fixed income and hedge funds. Investment guidelines are designed to limit the holdings of a single issue and issuer, control non-US dollar currency exposure and minimize sovereign risk. Fixed maturity securities held with maturities of longer than one year generally have a minimum investment rating of B3/B- or better and at least 85% (at fair value) generally have a minimum rating of Baa3/BBB- or better with average quality for the total portfolio of A2/A. The Company utilizes the lower rating as determined by Standard & Poor's and Moody's Investors Services. If a security is not rated by Standard & Poor's or Moody's Investors Services, the equivalent implied rating is utilized. Cash equivalents must carry a rating of A1/P1.

The maximum permitted fixed income investment in any one institution rated BBB-/Baa3 or higher is 10% of the market value of the global fixed income portfolio with the exception of securities which are rated AA-/Aa3 or higher and issued or guaranteed by the US Treasury, US government agencies, or the Government of Canada, Japan, Australia, the United Kingdom or EMU countries of the European Union. The maximum permitted fixed income investment in any one institution rated below BBB-/Baa3 is 5% of the market value of the global fixed income portfolio. The maximum permitted equity investment in any one company, at the time of purchase, should not exceed the greater of 5% of the market value of the global equity portfolio or 150% of its weighting in the global equity benchmark index, with the latter subject to a maximum limitation of 10% of the market value of the global equity portfolio. The Company believes that there are no significant concentrations of credit risk associated with its investments.

(c) Prime brokers

One large investment bank (the "Prime Broker") has been appointed as the Company's Prime Broker. Under the Customer Prime Broker Account Agreements, $265.0 million (2011 - $136.2 million) of the assets of the Company are held by the Prime Broker and each of the Prime Broker's affiliated companies are subject to a general lien and a continuing first priority perfected security interest in favor of the Prime Broker and therefore constitute collateral security for the Company's obligations and liabilities to the Prime Broker. The Prime Broker has a long term credit rating of A as issued by Standard and Poor's.

(d) Use of short selling

As part of the Company's overall investment strategy it allocates certain funds to long/short portfolios that are managed using a market neutral investment strategy. The market neutral investment strategy will typically hold short equity positions in the same and/or related sectors as the strategy's long positions to limit exposure to market events and reduced the Company's investment risk within the strategy.

(e) Outstanding litigation

From time to time the Company is party to lawsuits and arbitration proceedings arising in the normal course of business. The Company believes the resolution of these proceedings will not have a material adverse effect on its financial condition.

5. Outstanding losses and loss expenses

The Company's reserve for outstanding losses and loss expenses represents the estimated amount necessary to settle all outstanding claims, including claims which have been incurred but not reported, as of the balance sheet date. The reserve is provided on the basis of current estimates made by the Company's claims personnel, independent actuarial consultants, independent loss adjusters and legal counsel. The reserve is based on a detailed analysis of the facts in each case and historical claims development patterns including claim payment patterns, pending levels of unpaid claims and the regulatory and legal environment.

Due to the nature of the risks insured and the levels of coverage provided by the Company, significant delays can be experienced in the settlement of claims. Accordingly, a substantial degree of judgment is involved in assessing the ultimate cost of losses incurred.

A summary of changes in outstanding losses and loss expenses for 2012 and 2011 is as follows:

	2012 ($'000)	2011 ($'000)
Balance at January 1	$ **2,280,278**	$ 2,309,945
Incurred losses related to:		
Current year	**733,788**	596,440
Prior years	**(121,248)**	2,669
Total incurred	**612,540**	599,109
Paid losses related to:		
Current year	**(141,835)**	(180,284)
Prior years	**(289,466)**	(448,492)
Total paid	**(431,300)**	(628,776)
Balance at December 31	$ **2,461,518**	$ 2,280,278

The 2012 current year incurred losses of approximately $734 million primarily relate to: (i) case reserves established on four claims totaling $294 million relating to a 2012 loss event in the North Sea; (ii) case reserves recorded totaling $189 million relating to 13 specific property and pollution incidents incurred during the year; (iii) the establishment of IBNR totaling $242 million for the 2012 underwriting year; and (iv) loss expenses incurred totaling $9 million.

The 2012 reduction in incurred losses for prior years claims of approximately $121 million primarily relates to: (i) a reduction in IBNR relating to prior years of $239 million due to favorable adjustments in ultimate loss ratios; (ii) unfavorable development totaling $116 million relating to specific property and pollution incidents incurred during prior years due to updated information received from insureds and loss adjusters regarding outstanding claims notifications; and (iii) loss expenses incurred totaling $2 million.

The 2011 current year incurred losses of approximately $596 million primarily relate to; (i) claims totaling $387 million relating to specific property and pollution incidents incurred during the year; and (ii) the establishment of IBNR totaling $209 million for the 2011 underwriting year.

The 2011 incurred losses for prior years claims of approximately $3 million primarily relates to; (i) favorable development on IBNR reserves of $117 million; and (ii) unfavorable development totaling $120 million relating to specific property and pollution incidents incurred during prior years due to updated information received from insureds and loss adjusters regarding outstanding claims notifications.

For catastrophic events there is a high degree of uncertainty and subjectivity underlying the assumptions and associated estimated reserves for losses and loss adjustment expenses. Reserves are reviewed regularly and, as experience develops and new information becomes known, the reserves are adjusted as necessary. Due to the nature and levels of the coverage provided by the Company these adjustments can be material. Additionally, the complexity resulting from matters such as policy coverage issues, multiple events affecting one geographic area and the resulting impact on the quantification of claims (including the allocation of claims to specific events and the effect of demand surge on the cost of building materials and labor) can cause delays in the timing of claim notifications and changes to loss estimates.

The Company insures its policyholders against certain pollution liabilities caused by occurrences which commenced at or after the inception of a member's first policy, which for initial policyholders was January 1, 1972. The Company's pollution exposure typically involves potential liabilities for the mitigation or remediation of environmental contamination, personal injury or property damage caused by the release of hazardous substances into the land, air or water. The Company is exposed to claims arising from its members' use and storage of Methyl Tertiary Butyl Ether ("MTBE") as a gasoline additive and its potential environmental impact through alleged seepage into groundwater. Additional claims related to the use of MTBE may be filed in the future. There are many uncertainties regarding both the magnitude of exposures of the Company's insureds to the claimants and how the coverage under policies issued by the Company would apply to liabilities of its policyholders.

The Company's reserve for losses incurred but not reported relating to pollution liabilities has been established in accordance with generally accepted accounting principles for loss contingencies. There are significant uncertainties involved in estimating the Company's ultimate liability for pollution claims. These uncertainties include, amongst others, (i) potentially long latency periods, (ii) difficulty in establishing the commencement date of the pollution, (iii) delays in the reporting of claims, (iv) the uncertainty regarding the extent of the underlying and/or other insurance coverages, which may respond before the Company's coverage, and (v) the future outcome of litigation that is currently in process and the potential that exists for punitive and compensatory awards. To assist in determining this reserve, management has obtained the advice of independent claims consultants and actuaries who annually establish an estimate of the Company's ultimate pollution liabilities based on actuarial modeling techniques. Because of the variability and uncertainty inherent in the pollution claim evaluation, reserving and settlement processes, the reserves established by the Company represents management's best estimate at the balance sheet date based on current information but, such claims may ultimately settle for a significantly greater or lesser amount. Such adjustments to reserves could be material to the Company.

6. Preferred shares

The Company has authorized preference share capital of $1,000,000 consisting of 1,000,000 shares with a par value of $1 each. In June 2006, the Company issued 600,000 Series A perpetual preferred shares ("Series A preference shares") and received proceeds from the issuance, net of direct issuance costs, of approximately $586.8 million. Upon dissolution of the Company, the holders of the Series A preference shares are entitled to receive a liquidation preference of $1,000 per share, plus accrued unpaid dividends.

Dividends on the Series A preference shares from the date of original issuance through June 30, 2011 are payable semi-annually in arrears in cash, when and if declared by the Board of Directors, out of funds legally available for the payment of dividends under Bermuda law. Such dividends are payable on June 30 and December 30 of each year, at the annual rate of 7.558% per $1,000 liquidation preference, until June 30, 2011.

After June 30, 2011 dividends accrue at an annual rate of 3-month LIBOR plus a margin equal to 298.2 basis points per $1,000 liquidation preference, payable quarterly in arrears. The Company may redeem the Series A preference shares on or after June 30, 2011, at a redemption price of $1,000 per share. As of December 31, 2012 the Company has not called the preference shares.

During 2012, the Company repurchased and retired 59,100 (2011 - 42,305) of the Series A preference shares with a par value of $1,000 per share. As of December 31, 2012, the Company had 352,382 (2011 - 411,482) of series A preference shares outstanding with a par value of $1,000 per share.

7. Credit facility

Effective February 10, 2011, the Company entered into a Revolving Credit Facility ("Credit Facility") with The Bank of New York Mellon ("BNY Mellon"). Under the terms of the agreement, the Company may borrow up to $150 million from BNY Mellon. The Credit Facility matures on February 10, 2014. At the option of the Company, any borrowings under the agreement bear interest at a rate per annum equal to either: (1) the greater of BNY Mellon's prime commercial lending rate or 0.50% plus the federal funds rate (as published by the Federal Reserve Bank of New York); or (2) 1.25% plus LIBOR for interest periods of 1, 2 or 3 months. Under the terms of the agreement, the Company must secure the payment and performance of its obligations to BNY Mellon by pledging a portion of the investments held in OICL's fixed maturities investment portfolio. At December 31, 2012, the facility has not been utilized and the fair value of the investments pledged to collateralize the Company's obligation totaled $Nil (2011: $Nil).

8. Common shares

	2012	2011
Authorized		
200 Class A shares of par value $10,000 each	$ 2,000,000	$ 2,000,000
50 Class B shares of par value $1 each	50	50
	$ 2,000,050	$ 2,000,050
Issued and fully paid		
53 (2011 - 52) Class A shares	$ 530,000	$ 520,000

Each shareholder has one vote for each paid up Class A share together with an additional vote for each $10,000 of cumulative premium as defined in the shareholders' agreement, subject to a maximum of 9.5% of total voting rights. The shareholders' agreement provides for distribution of dividends, as and when declared by the Company's directors, and distribution of the Company's net assets upon dissolution in the same proportion as the voting rights, excluding the 9.5% limitation. Commencing January 1, 1987, the shareholders' agreement restricts the amount available for the payment of dividends to the Company's cumulative net income less any paid dividends after that date.

9. Related party transactions

(a) General and administrative expenses represent direct expenditures incurred by the Company and expenses which have been allocated from Oil Management Services Ltd., a wholly-owned subsidiary, which provides administrative support services to the Company.

(b) Amounts due from and to companies affiliated through common ownership are unsecured, interest free and repayable on demand. These balances result from transactions conducted in the normal course of business.

10. Taxation

Under current Bermuda law, the Company is not obligated to pay any taxes in Bermuda on either income or capital gains. The Company has received an undertaking from the Minister of Finance in Bermuda pursuant to the provisions of the Exempted Undertakings Tax Protection Act 1966 (the "Act") which exempts the Company from any such taxes, at least until March 31, 2035.

For the years ended December 31, 2012 and 2011, the Company did not record any unrecognized tax benefits or expenses. The Company has not recorded any interest or penalties during the years ended December 31, 2012 and 2011.

11. Regulation

The Company is required by its license to maintain capital and surplus greater than a minimum statutory amount determined as the greater of a percentage of outstanding losses or a given fraction of net written premiums. At December 31, 2012 the Company is required to maintain a minimum statutory capital and surplus of approximately $246.2 million. Actual statutory capital and surplus is approximately $4.87 billion.

The Company is also required to maintain a minimum liquidity ratio whereby the value of its relevant assets is not less than 75% of the amounts of its relevant liabilities. At December 31, 2012 the Company is required to maintain relevant assets of at least $1.87 billion. At that date relevant assets are approximately $7.37 billion and the minimum liquidity ratio is therefore met.

Under the terms of the Rating and Premium Plan, all members are charged a withdrawal premium upon their withdrawal from the Company. The Company has received permission from the Bermuda Monetary Authority to record the estimated amount of the theoretical withdrawal premium ("TWP") due from existing members who have not elected to withdraw or redeem their shares in the Company as statutory capital and surplus. As of December 31, 2012, the Company has included the discounted value of the TWP from current shareholders that are rated "BBB- or higher by Standard and Poor's, totaling $1.26 billion, in the calculation of statutory capital and surplus.

12. Comparative information

Comparative figures for proceeds from the sale of investments, purchase of investments, proceeds from the sale of securities sold short, and purchase of securities sold short included in the Statement of Cash Flows have been reclassified to conform with the current year's presentation. The reclassification did not impact the Company's results of operations or total shareholders' equity.

13. Subsequent events

Subsequent events have been evaluated through March 4, 2013, which is the date the financial statements were issued.

On February 8, 2013 the Company repurchased 12,500 of the Series A preference shares with par value of $1,000 per share.

INDEPENDANT AUDITORS' REPORT TO THE SHAREHOLDERS

KPMG

The Board of Directors
Oil Insurance Limited

We have audited the accompanying consolidated financial statements of Oil Insurance Limited and its subsidiary, which comprise the consolidated balance sheets as of December 31, 2012 and 2011, and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements referred to above present fairly in all material respects, the financial position of Oil Insurance Limited and its subsidiary as of December 31, 2012 and 2011, and the results of their operations and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG

Chartered Accountants
Hamilton, Bermuda
March 4, 2013

MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

We, Robert D. Stauffer, President & Chief Executive Officer, and Ricky E. Lines, Senior Vice President & Chief Financial Officer, of Oil Insurance Limited (the "Company"), certify that we have reviewed this annual report of Oil Insurance Limited and based on our knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact. Based on our knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the consolidated financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this annual report. We are responsible for establishing and maintaining disclosure controls and procedures and we have designed such disclosure controls and procedures to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within the Company; evaluated the effectiveness of the Company's disclosure controls and procedures; and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation. We have disclosed, based on our most recent evaluation, to our auditors and the audit committee of our Board of Directors that there are no significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data and have confirmed to our auditors that there are no material weaknesses in internal controls; or any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls. We also confirm that there were no significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation.

R. D. Stauffer

Robert D. Stauffer
President & Chief Executive Officer

Ricky E.

Ricky E. Lines
Senior Vice President & Chief Financial Officer

March 4, 2013

COMPANY INFORMATION

SENIOR STAFF – OIL INSURANCE LIMITED

Robert D. Stauffer
President
& Chief Executive Officer

George F. Hutchings
Senior Vice President
& Chief Operating Officer

Ricky E. Lines
Senior Vice President
& Chief Financial Officer

Theodore R. Henke
Senior Vice President
General Counsel & Secretary

Marlene J. Cechini
Controller
& Assistant Secretary

Robert Foskey, FCAS, MAAA
Chief Actuary

COMMITTEES OF THE BOARD 2012

EXECUTIVE
Trygve Imsland – Chairman
Mark F. Wilson – Deputy Chairman
James F. Hughes, III
Gerard E. Modecki
Gerard Naisse
Robert D. Stauffer

AUDIT
James D. Lyness – Chairman
Darrell D. Chessum
Fabrizio Mastrantonio
Gerard E. Modecki
Mark F. Wilson

COMPENSATION
Gerard E. Modecki – Chairman
James F. Hughes, III
Trygve Imsland
Mark F. Wilson

GOVERNANCE
Roberto Benzan – Chairman
John W. Dumas
Mark F. Wilson

AUDITORS
KPMG
Crown House
4 Par La Ville Road
Hamilton HM 08
Bermuda

BOARD OF DIRECTORS

Trygve Imsland
Chairman
Vice President,
Head of Insurance
Statoil ASA

Mark F. Wilson
Deputy Chairman
Assistant Treasurer,
Insurance
LyondellBasell Industries

Roberto Benzan
Manager, Corporate Risk
Management Insurance,
Enterprise Risk, Loss
Control Engineering
Husky Energy Inc.

John W. Dumas
Director,
Corporate Insurance
Murphy Oil
Corporation

Theodore Guidry, II
Senior Vice President,
Business Risk
Management
Valero Energy
Corporation

James F. Hughes, III
Corporate Insurance
Manager
ConocoPhillips
Company

Andre Levey
Group Insurance
Manager
Santos Ltd.

Gregory J. LaSalle
Director, Property
Insurance
Occidental Petroleum
Corporation

James D. Lyness
Chevron Corporation

Fabrizio Mastrantonio
Senior Vice President,
Insurance Activities
Management
Eni S.p.A.

Gerard E. Modecki
Assistant Treasurer &
Insurance Director
Marathon Oil
Corporation

Gerard Naisse
Vice President, Risk
Management &
Insurance
TOTAL S.A.

Robert D. Stauffer
President & Chief
Executive Officer
Oil Insurance Limited

Robert C. Vryhof
Director, Risk
Management &
Insurance
Sunoco, Inc.

SUBSIDIARY COMPANIES

OIL MANAGEMENT SERVICES LTD.

DIRECTORS

Trygve Imsland – Chairman

Theodore R. Henke

Ricky E. Lines

Robert D. Stauffer

Gregory J. LaSalle

Mark F. Wilson

James D. Lyness

OIL MANAGEMENT SERVICES LTD.

OFFICERS

Robert D. Stauffer
President & Chief Executive Officer

Ricky E. Lines
Senior Vice President &
Chief Financial Officer

Theodore R. Henke
Senior Vice President,
General Counsel & Secretary

George F. Hutchings
Senior Vice President,
Oil Insurance Limited

Gail E.M. Miller, JP
Vice President, Human
Resources & Administration

Jerry B. Rivers
Senior Vice President,
Oil Casualty Insurance Limited

Marlene J. Cechini
Controller & Assistant Secretary

OIL INVESTMENT CORPORATION LTD.

DIRECTORS

R. Hartwell Gardner – Chairman
Treasurer (retired)
Mobil Corporation

Darrell D. Chessum
Treasurer (retired)
Unocal Corporation

Ralph J. Egizi
Director, Benefits,
Finance & Investments
Eastman Chemical Company

Ricky E. Lines
Senior Vice President & Chief
Financial Officer & Treasurer
Oil Insurance Limited

Paul C. Reinbolt
Chief Financial Officer &
Executive Vice President
Hyperdynamics Corporation

Robert D. Stauffer
President & Chief Executive Officer
Oil Insurance Limited

Tron Vormeland
Vice President,
Corporate Financing
Statoil ASA

Robert M. Wohleber
Senior Vice President &
Chief Financial Officer (retired)
Kerr-McGee Corporation

OIL INVESTMENT CORPORATION LTD.

OFFICERS

Ricky E. Lines
President & Treasurer

Marlene J. Cechini
Controller & Assistant Secretary

Andrew Rossiter
Vice President & Secretary

SHAREHOLDERS*

AUSTRALIA

BHP Billiton Petroleum (Americas) Inc.

Santos Ltd. (Sanro Insurance Pte Ltd.)

Woodside Petroleum Ltd. (WelCap Insurance Pte Ltd.)

AUSTRIA

OMV AG

CANADA

Canadian Natural Resources Ltd. (Highwood Limited)

Canadian Oil Sands Limited

Husky Energy Inc.

Nexen Inc. (ICM Assurance Ltd.)

NOVA Chemicals Corporation (Novalta Insurance Ltd.)

Paramount Resources Ltd.

Suncor Energy Inc.

Talisman Energy Inc. (Oleum Insurance Company Limited)

DENMARK

DONG Energy A/S

FRANCE

Arkema

Electricité de France S.A.

TOTAL S.A. (Omnium Reinsurance Company SA)

GERMANY

BASF SE

HUNGARY

MOL Hungarian Oil and Gas Public Limited Company (MOL Reinsurance Company Limited)

ITALY

Eni S.p.A. (Eni Insurance Limited)

LATIN AMERICA / CARIBBEAN

Hovensa L.L.C.

Puerto Rico Electric Power Authority (PREPA)

NORWAY

Statoil ASA (Statoil Forsikring AS)

Yara International ASA

PORTUGAL

Galp Energia, SGPS, S.A. (Tagus Re S.A.)

SPAIN

Compañía Española de Petróleos (CEPSA), S.A. (Teide Re, S.A.)

Repsol, S.A. (Greenstone Assurance Ltd.)

THE NETHERLANDS

LyondellBasell Industries N.V. (Lyondell Chemical Company)

Royal Vopak N.V.

UNITED KINGDOM

BG Group plc (BG Insurance Company (Singapore) Pte Limited)

UNITED STATES

Apache Corporation

Buckeye Partners, L.P.

Chevron Phillips Chemical Company LLC

Chevron Corporation

CITGO Petroleum Corporation (Trimark Insurance Co., Ltd.)

ConocoPhillips (Sooner Insurance Company)

Drummond Company, Inc.

DTE Energy Company

Energy Transfer Partners, L.P. (Energy Transfer Equity L.P.)

El Paso Corporation (Mt. Franklin Insurance Ltd.)

Hess Corporation (Jamestown Insurance Company Limited)

LOOP LLC

Marathon Oil Corporation

Marathon Petroleum Corporation

Murphy Oil Corporation

Noble Energy, Inc.

Occidental Petroleum Corporation (Opcal Insurance, Inc.)

Phillips 66 Company

Sempra Energy

Tesoro Corporation

The Sinclair Companies

The Williams Companies, Inc.

Valero Energy Corporation (Colonnade Vermont Insurance Company)

Westlake Chemical Corporation

* These Energy Companies or their insurance or other affiliates (indicated in brackets) were Shareholders at December 31, 2012.

OIL INSURANCE LIMITED
Leaders in Global Energy Insurance

P.O. Box HM 1751
Hamilton HMGX

3 Bermudiana Road
Hamilton HM08

T (441) 295 0905
F (441) 295 0351

www.oil.bm