OIL INSURANCE LIMITED
Leaders in Global Energy Insurance

STEP IN EVERY **VALUE**

2014 ANNUAL REPORT

CONTENTS


OIL'S SHAREHOLDERS' EQUITY HAS GROWN BY 426% SINCE 2005.
SHAREHOLDERS' EQUITY
2014: $4.6 BILLION
2010: $3.2 BILLION
2005: $876 MILLION

FINANCIAL HIGHLIGHTS

(Expressed in thousands of United States dollars)	**2014**	2013
Premiums Earned	495,932	550,361
Net Income	731,011	631,898
Total Assets	7,336,865	7,094,638
Shareholders' Equity	4,606,088	4,184,868

(Ratios expressed as percentages)		
Loss Ratio	(11.3)	90.0
Expense Ratio	4.1	4.1
Combined Ratio	(7.2)	94.1

MESSAGE FROM THE PRESIDENT

I am very pleased to welcome you to OIL's Annual Report for the year ended December 31, 2014, a year that was marked by our organization's continued success on many fronts – from our financial results, to our marketing efforts, to the ways in which we meet our membership's needs.

In short, the past year was all about providing value – value in every step.

To paraphrase an old saying, value is in the eye of the beholder, and in OIL's case, the beholders are our members. The value we offer is determined by our members and the way in which they apply and benefit from our capacity. Our members use OIL's program as a foundational building block for their overall corporate insurance strategy, and we take every opportunity to enhance our offering so they can establish a strong, stable platform for their insurance needs. As discussed in further detail below, as well as in George Hutchings' Operational Review, through 2014, we provided value to our membership in a myriad of forms – from issuing dividends, increasing policy limits, and developing a new claims service model.

For our members' benefit

Over the past several years, OIL has been working hard to ensure that our value proposition is one that will not only continually reinforce our members' decision to have joined OIL, but will also attract new members. I am extremely proud to report that the organization's results for 2014 reflect that hard work and initiative.

Overall, for 2014, OIL exceeded our projected underwriting and investment goals. OIL's underwriting results were particularly impressive and low losses for the year combined with favorable investment returns to deliver $731 million net income for the year. The company's capital increased from $4.2 billion to $4.6 billion, year over year. Of particular note and importance to our membership was the $300 million dividend that OIL declared and paid – a truly tangible expression of the value we provide.

Unmodified Gross Assets have increased from $2 trillion 10 years ago, to $2.8 trillion today.

Our solid performance for 2014 also allowed us to take on a greater amount of risk on behalf of our members and, as of January 1, 2015, OIL has increased the per occurrence coverage we provide to $400 million – up from $300 million. In addition, we took the important step of implementing our new Experience Modification Program, a system that ensures members' premiums are adjusted to reflect their loss history.

Other ongoing and new initiatives throughout the year underscore OIL's approach of constantly seeking ways to increase efficiencies and improve both the quality of our offering and the way in which we deliver it – all with the overarching goal of optimizing our members' satisfaction. For example, we have made changes to our claims service quality program which means our members can get answers to questions about their claims directly from our claims adjusters, without having to get a third party involved in the process. Members' response to this change has been overwhelmingly positive.

Growth in the mutual's membership base remains a priority and through the year we continued our substantial efforts to educate the brokerage community about our program and how their clients can benefit from using our coverage as cornerstone capacity. Brokers representing all of our target markets have embraced our online training tool, OIL Technical Accreditation (OTA), and we will continue to update and enhance the program to incorporate the valuable suggestions we've received from both our members and brokers.

As we move into 2015, OIL's priorities remain unchanged: to strive for continued stable growth and an ongoing positive relationship with brokers and the insurance market at large while providing the most efficient insurance capacity possible for members. I feel privileged to be surrounded by a talented management team and dedicated employees, and am grateful for their continued hard work. I would also like to extend my appreciation to our Board and to our members for placing their trust in our organization. Together, step by step, we will continue to provide the energy industry with the reliable capacity, service and commitment that our members deserve and have come to expect.

R. D. Stauffer

Robert D. Stauffer,
President & Chief Executive Officer

OPERATIONAL REVIEW

Value in Every Step.

This statement captures many aspects of OIL's approach to providing insurance to the energy industry, making it a fitting theme for the company's 2014 Annual Report. It describes our goal of delivering ever-increasing value to our members – a commitment that we take very seriously. It describes the methodical way in which we implement and modify our policies and programs. And it describes the sense of perpetual movement that presides as we tap new markets, improve efficiencies and explore ways to enhance our value proposition.

Something for everyone

Throughout 2014, OIL delivered significant value – both real and intangible – to our membership through a number of new and ongoing initiatives. From our perspective, increasing value means that from one year to the next, shareholders are more committed to remaining in our mutual because they see the value proposition improving, even if only by a little. That increase in value will mean different things to different members. For some, it might mean that we've succeeded in attracting more companies to the membership. For others it might mean broader coverage, better broker training, or it might mean adjusting premiums to take past losses into account. I am pleased to report that we covered all of these bases in 2014: our accomplishments offer something of value for everyone.

Likely the most tangible value we provided to our membership in 2014 was the $300 million we paid in dividends. Bolstered by stellar investment returns from the previous three years as well as strong underwriting results in 2013, we made the careful decision to return a portion of the excess capital to our shareholders. While a dividend would be appreciated at any time, the energy industry has been hit fairly hard in the past few months, making this year's dividend particularly welcome.

From a financial point of view, OIL had another outstanding year, driven by those excellent underwriting results. Our losses were significantly lower than projected, coming in at just $56 million. As a result, our net underwriting income was an impressive $552 million. OIL's net investment income for the year was $199 million, bringing the company's total net income to $731 million. As a result, our capital grew by more than $420 million in 2014 – even after we issued the dividend to our shareholders.

We took the important step of implementing our new Experience Modification Program, an innovative system that ensures members' premiums are adjusted to reflect their loss history.

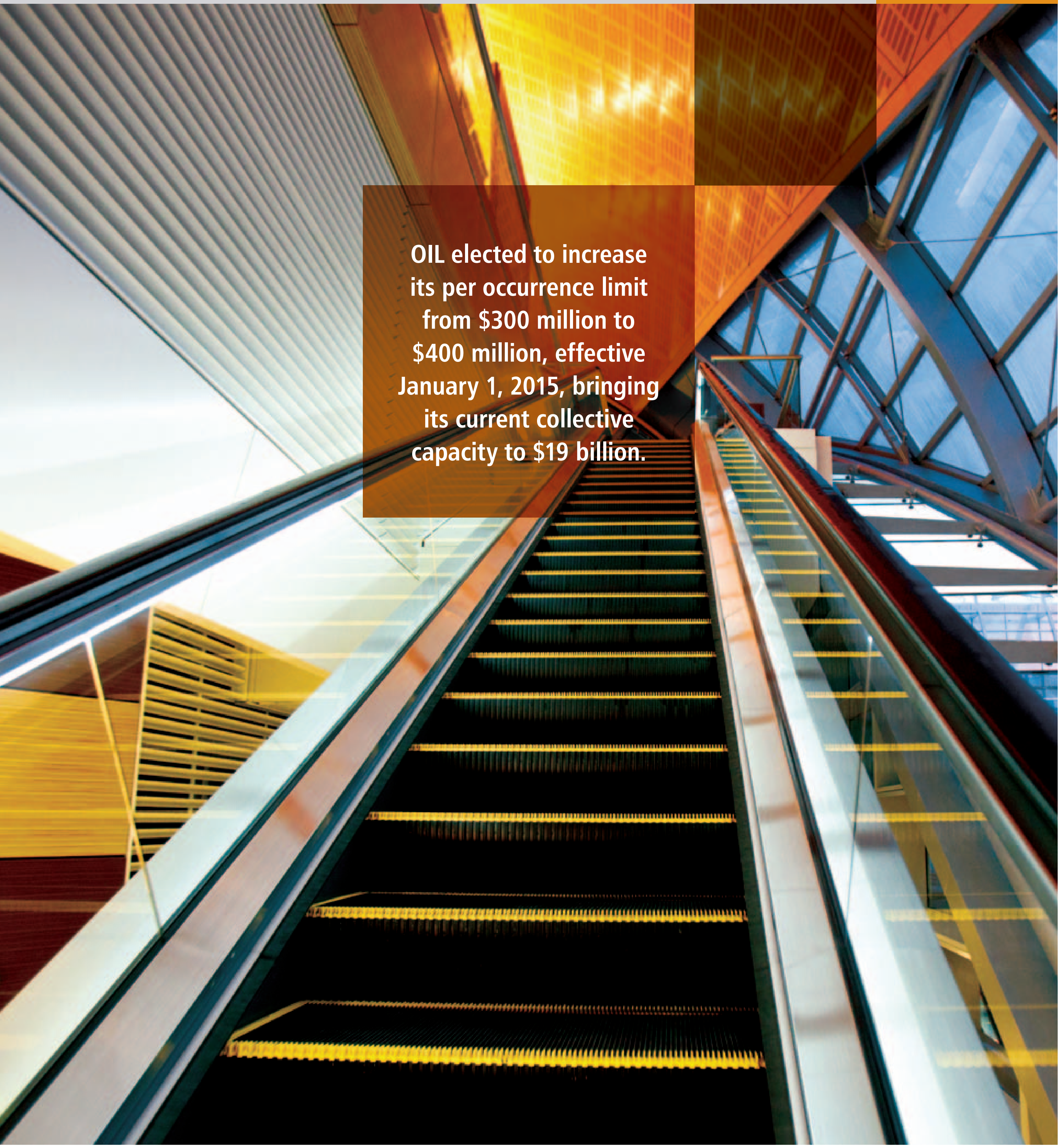
OPERATIONAL REVIEW

As OIL President & CEO Robert Stauffer mentioned in his message on page 5, at the Board of Directors meeting in July 2014, OIL elected to increase its per occurrence limit from $300 million to $400 million, effective January 1, 2015. Though members officially have until January 1, 2017 to take up the additional limit, roughly 70% of OIL shareholders have already done so – which likely means they are relying even more on OIL as critical capacity in their programs. Members requested this increase in limit through a membership survey conducted in May 2014 and it should prove particularly valuable to our shareholders depending upon if they are making significant investments in oil and gas projects around the world or building upon OIL's cornerstone capacity.

The Experience Modification Program (EMP) is another example of OIL taking the steps necessary to incorporate members' feedback into our operations. As one of our major accomplishments of 2014, shareholders formally passed the EMP with a 94% approval rate – a fantastic endorsement of our decision to adjust members' premiums based on their losses. OIL's membership is made up of many different companies, from different energy sectors, with varying risk exposures and risk management policies. The EMP will help level this playing field by raising the premiums for those members whose losses exceed the thresholds we've set, while lowering the premiums for shareholders with less losses. We anticipate that the EMP will encourage members to structure their OIL program more efficiently where appropriate.

The rewriting of the OIL policy is another important initiative that neared completion in 2014. We made a significant effort to examine the language and the wording in the policy with a critical eye and a view to making it more accessible, easier to understand and better structured. After methodically gathering and incorporating suggestions from the management team, shareholders, claims adjusters and brokers, we've developed a new policy that doesn't change the essence of our coverage terms, but presents them in a clearer and easier to follow format. We presented the revamped document to the Board in December 2014 and anticipate securing approval of the changes in July 2015.

For the majority of these projects, the so-called "heavy lifting" is done: we've taken the necessary steps to identify areas for improvement, consult with our members for their input and lay the groundwork for the successful implementation of each initiative. The steepest part of the climb is behind us, and while there will always be more work to be done, OIL is now at a place where our members can capitalize on the value we've created.



OIL elected to increase its per occurrence limit from $300 million to $400 million, effective January 1, 2015, bringing its current collective capacity to $19 billion.

OPERATIONAL REVIEW

Continued growth

At OIL, one of our perennial objectives is to grow our membership and we have put the systems in place to achieve that goal. The broker education process through the OIL Technical Accreditation (OTA) program is now well established; it is now up to the brokers to educate our target market about the OIL value proposition. The soft commercial market is attractive to companies looking for a short-term solution and it can be difficult to convince them of the long-term benefits of joining our mutual. Despite this challenging environment, both HollyFrontier Corporation and CNOOC Limited decided to join OIL – CNOOC Limited is the first Asian company to do so. This will be an important first step in raising our profile in the Far East and Australasian markets and, hopefully, will help us attract more members from that area of the world.

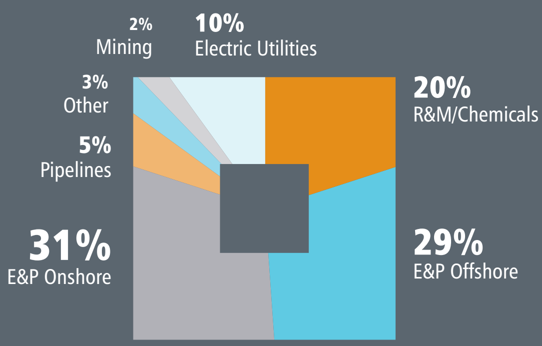
One of our priorities moving forward is to become more responsive to requests for information from our members. To achieve this goal, we are in the process of developing a web portal for the online distribution of the data our shareholders require most often, such as losses and premiums paid. We are proceeding cautiously on this front as we must ensure all potential security concerns are addressed, but we are confident that the new My OIL portal will be implemented in the near future.

Other priorities for the coming year – and beyond – include engaging in a formal strategic planning process with the goal of developing a five-year plan to govern OIL's operations. We will be examining our distribution system and finding ways to expand our geographic presence. I'm looking forward to this exercise and believe it will continue our progress forward, to further successes.

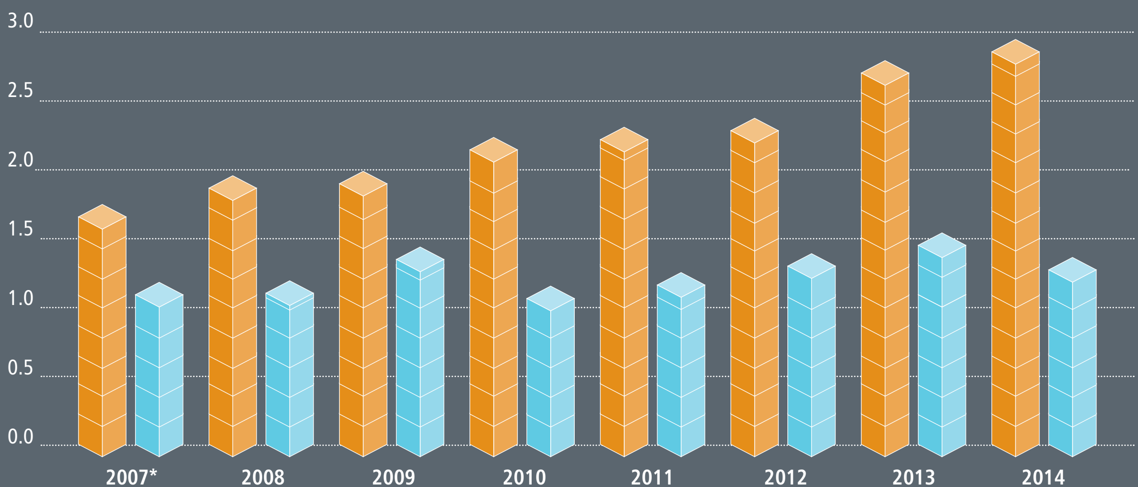
In closing, I would like to extend my gratitude and appreciation to all of the stakeholders who play an integral role in OIL's operations and achievements. To our employees, management team, Board of Directors and members – my profound thanks. Your ongoing dedication and loyalty are invaluable.

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

UNMODIFIED GROSS ASSETS
by Industry Sector
at December 31, 2014



GROSS ASSETS INSURED
(Expressed in trillions of United States dollars)



* 2007 was a split policy year.

FINANCIAL AND INVESTMENT REVIEW

BusinessDictionary.com defines a Value Adding Process as "the set of quality control activities which transform an input into an output that is valuable to internal and/or external customers or an organization."

This definition dovetails nicely with the theme for OIL's 2014 Annual Report, Value in Every Step, and is especially applicable to the ongoing activities undertaken by OIL's finance and investment units. Our approach includes a holistic view of the effect our decisions have on the company as a whole, and specifically our shareholders.

We take a methodical, deliberate approach to decision-making, always examining the operational needs of OIL and tailoring our asset allocation to meet those needs. When embarking on a major project or initiative, we begin by constructing a road map that covers the steps required to get us to our ultimate objective. In our initial assessment of each project, we also consider the additional value that the project or initiative will ultimately bring to the organization as a whole, including our members.

OIL's finance, investment and actuarial units adopted this approach throughout 2014. Collectively, we reengineered OIL's capital management plan to incorporate a blend of capital measures which are used for rating agency, regulatory and economic capital modeling purposes. We also evaluated the time horizon and confidence levels. Throughout our capital analysis, we critically evaluated every stage of the process to ensure that we addressed all the variables affecting our OIL-specific capital model. As measured by our economic capital model, OIL maintains sufficient capital equal to or in excess of the risk threshold over the next three years, which is the time horizon of this analysis. The value that incorporating this new capital model affords OIL, and by extension our membership, is that it is OIL-specific and can readily identify available capital that can be deployed through additional insurance coverage limits or a return of capital either through premium credits or dividends to our shareholders.

The Value in Every Step theme is also relevant to our management of OIL's invested assets. In 2013, management began discussions with the Investment Board about the benefits of repositioning our equity allocation from a regional to a broader global perspective. We also analyzed the pros and cons of active versus passive management styles within our equity allocation and whether passive management should be included within our equity allocation. After taking the steps to conduct analytical due diligence and obtain the approval of our Investment Board of Directors, we shifted our Developed Large Cap Equity portfolio from regional to global mandates. Over time, this transition is expected to create added value and allow greater flexibility in portfolio positioning.

We shifted our Developed Large Cap Equity portfolio from regional to global mandates. Over time, this transition is expected to create added value.

FINANCIAL AND INVESTMENT REVIEW

Turning to OIL's financial and investment performance, 2014 was a solid year by all accounts. In April, OIL returned $300 million in dividends to our shareholders for the first time since 2001. At year-end, OIL had $4.6 billion of shareholders' equity, an increase of $421 million over our 2013 year-end position. For the year ended December 31, 2014, OIL reported net income of $731 million, which included underwriting income of $552 million and net investment income of $199 million offset by $20 million in general and administrative expenses. In 2014, net premiums written and earned were $496 million, with loss and loss expenses of a favorable $56 million. Total claim payments for the year amounted to $406 million.

OIL's invested assets weathered a challenging investment environment quite admirably in 2014. Throughout the year, economic divergence was a key item to note. In the US, improvement on the economic front were offset by heightened economic threats that included deflationary risks in Europe and Japan, while geopolitical tensions emanated from Russia, Ukraine and the Middle East. Central banks continued to have a significant impact on the markets by remaining accommodative and not raising interest rates. Equity markets continued to rally.

Against this back drop, OIL's return on its total invested assets for the year was 3.3%. At December 31, 2014, OIL's investment allocation was comprised of 49% global bonds, 13% funds of hedge funds, and 35% global equities and 3% cash.

As always, management is constantly looking at ways to refine and enhance OIL's capabilities in a more efficient manner to service the needs of our most important external constituent - our shareholders. As the majority of our Board of Directors is comprised of our shareholders, they have been instrumental in providing us with valuable insight as to what each project or initiative can bring from a value proposition standpoint. For that we are truly grateful.

In closing, I would like to thank both the OIL Operating Board and the OICL Investment Board for their continued guidance and dedication throughout 2014. To my OIL colleagues who persevere day in and day out to deliver the results that we do, thank you.

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

NET INCURRED LOSSES BY GEOGRAPHIC REGION (1972 - 2014)

(Expressed in United States dollars)

NET INCURRED LOSSES BY INDUSTRY SECTOR (1972 - 2014)

(Expressed in United States dollars)

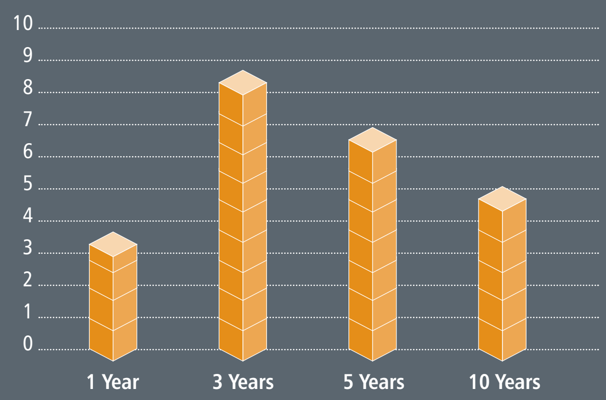
ASSET ALLOCATION

at December 31, 2014

OIL'S TOTAL ANNUALIZED INVESTMENT RETURNS

for the periods ending December 31, 2014

(Expressed in percentage returns)



The past year was all about providing value – value in every step.

FINANCIAL SECTION

Ten-Year Summary

Years ended December 31 (Expressed in thousands of United States dollars)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Premiums earned	**495,932**	550,361	672,485	543,425	783,688	891,115	718,586	1,016,819	1,197,330	2,620,806
Net income (loss)	**731,011**	631,898	646,103	(104,636)	781,780	1,100,270	(1,359,879)	875,730	607,451	(118,478)

Financial Condition

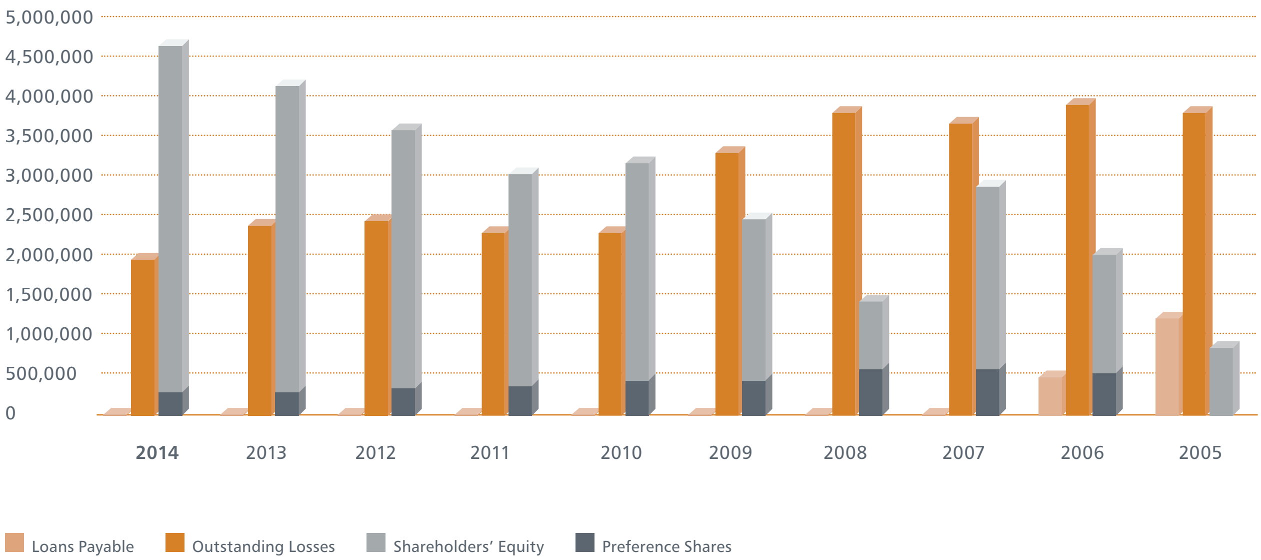
Total assets	**7,336,865**	7,094,638	6,450,657	5,746,005	5,893,800	6,068,091	6,369,097	7,303,769	7,877,741	6,607,069
Shareholders' equity	**4,606,088**	4,184,868	3,611,771	3,033,147	3,200,635	2,481,884	1,471,395	2,876,662	2,046,297	875,929

Ratios

Loss ratio	**(11.3)%**	90.0%	91.1%	110.2%	53.9%	58.2%	134.9%	52.9%	82.5%	106.6%
Expense ratio	**4.1%**	4.1%	3.2%	3.4%	2.0%	3.5%	3.7%	3.0%	2.6%	2.5%
Combined ratio	**(7.2)%**	94.1%	94.3%	113.6%	55.9%	61.7%	138.6%	55.9%	85.1%	109.1%

Summary of Total Liabilities & Shareholders' Equity

Years ended December 31 (Expressed in thousands of United States dollars)



CONSOLIDATED BALANCE SHEETS

December 31, 2014 and 2013
(Expressed in thousands of United States dollars)

	2014	2013
Assets		
Cash and cash equivalents (Notes 2(k) and 4(b))	**$ 903,138**	$ 722,649
Investments in marketable securities and derivatives (Notes 2(f), 2(g), 3 and 4)	**5,464,274**	5,365,403
Other investments (Notes 2(f) and 3)	**874,335**	831,216
Investment sales pending settlement	**32,863**	78,846
Accrued investment income	**21,278**	23,890
Amounts due from affiliates (Note 9(b))	**43**	73
Retrospective premiums receivable (Note 2(c))	**39,460**	68,039
Accounts receivable (Note 2(b))	**54**	2,982
Other assets	**1,420**	1,540
Total assets	**$ 7,336,865**	$ 7,094,638
Liabilities		
Outstanding losses and loss expenses (Note 5)	**$ 1,943,819**	$ 2,405,684
Retrospective premiums payable (Note 2(c))	**39,046**	6,026
Premiums received in advance	**13,408**	24,101
Securities sold short (Notes 2(j), 3 and 4)	**482,750**	263,533
Investment purchases pending settlement	**239,572**	194,923
Amounts due to affiliates (Note 9(b))	**2,500**	2,073
Accounts payable	**9,682**	13,430
Total liabilities	**2,730,777**	2,909,770
Shareholders' Equity		
Preferred shares (Note 6)	**293,421**	293,421
Common shares (Note 8)	**560**	560
Retained earnings	**4,312,107**	3,890,887
Total shareholders' equity	**4,606,088**	4,184,868
Total liabilities and shareholders' equity	**$ 7,336,865**	$ 7,094,638

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended December 31, 2014 and 2013 (Expressed in thousands of United States dollars)

	2014	2013
Premiums written (Note 2(b))	$ 523,913	$ 552,612
Retrospective premiums (Note 2(c))	(27,981)	(2,251)
Premiums written and earned	495,932	550,361
Discount earned on retrospective premiums receivable (Note 2(c))	217	230
Losses and loss expenses incurred (Note 5)	55,802	(495,058)
Acquisition costs	(285)	(2,287)
Net underwriting income	551,666	53,246
Interest income	85,795	93,631
Net gains on investments (Note 3)	122,597	515,264
Dividend income	32,710	29,401
Investment advisory and custodian fees	(41,134)	(38,211)
Interest expense and financing costs	(727)	(730)
Net investment income	199,241	599,355
General and administrative expenses (Note 9(a))	(19,896)	(20,703)
Net income	$ 731,011	$ 631,898

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Years ended December 31, 2014 and 2013 (Expressed in thousands of United States dollars)

	Preferred shares	Common shares: Number of shares	Common shares	Retained earnings	Total
Balance at December 31, 2012	$ 344,654	53	$ 530	$ 3,266,587	$ 3,611,771
Shares issued in year	—	4	40	—	40
Shares redeemed in year	—	(1)	(10)	—	(10)
Net income	—	—	—	631,898	631,898
Preferred share repurchase	(51,233)	—	—	—	(51,233)
Gain on preferred share repurchase	—	—	—	2,616	2,616
Dividends paid on preferred shares	—	—	—	(10,214)	(10,214)
Balance at December 31, 2013	293,421	56	560	3,890,887	4,184,868
Shares issued in year	—	1	10	—	10
Shares redeemed in year	—	(1)	(10)	—	(10)
Net income	—	—	—	731,011	731,011
Dividend on common shares	—	—	—	(300,000)	(300,000)
Dividends paid on preferred shares	—	—	—	(9,791)	(9,791)
Balance at December 31, 2014	$ 293,421	56	$ 560	$ 4,312,107	$ 4,606,088

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2014 and 2013 (Expressed in thousands of United States dollars)

	2014	2013
Cash flows from operating activities		
Net income	$ 731,011	$ 631,898
Adjustments to reconcile net income to net cash provided by operating activities:		
Net gains on investments	(122,597)	(515,264)
Accrued investment income	2,612	2,046
Amounts due from affiliates	30	(37)
Retrospective premiums receivable	28,579	34,076
Accounts receivable	2,928	9,602
Other assets	120	560
Outstanding losses and loss expenses	(461,865)	(55,834)
Retrospective premiums payable	33,020	2,257
Premiums received in advance	(10,693)	(1,486)
Amounts due to affiliates	427	(750)
Accounts payable	(3,748)	2,318
Proceeds from the sale of investments	10,793,060	8,488,967
Purchase of investments	(10,734,748)	(8,454,044)
Proceeds from the sale of securities sold short	1,273,648	774,347
Purchase of securities sold short	(1,041,504)	(809,133)
Net cash provided by operating activities	490,280	109,523
Cash flows from financing activities		
Repurchase of preferred shares, net of issuance costs	—	(48,617)
Issuance of common shares, net	—	30
Dividends paid on common shares	(300,000)	—
Dividends paid on preferred shares	(9,791)	(10,214)
Net cash used by financing activities	(309,791)	(58,801)
Net increase in cash and cash equivalents	180,489	50,722
Cash and cash equivalents at beginning of year	722,649	671,927
Cash and cash equivalents at end of year	$ 903,138	$ 722,649

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 56 companies as at December 31, 2014. 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, 2015, coverage provided to each insured is limited to $400 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 $1.2 billion. From January 1, 2013 to January 1, 2015, coverage provided to each insured was limited to $300 million per occurrence for non-Atlantic Named Windstorm events. There was no annual aggregate limit for each insured, however, there was an aggregation limit in place for multiple claims arising from a single occurrence of $900 million. Prior to January 1, 2013, the Company's per occurrence and aggregation limits for non-Atlantic Named Windstorm events were $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 resulted in 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 ("US 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 2014, the Company recorded withdrawal premiums totaling $Nil (2013 - $2.9 million) due from a member 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, 2014 this rate is approximately 1.10% (2013 - 0.78%). 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 ended December 31, 2014, amounted to $Nil million (2013 - $1.0 million).

(f) Investments in marketable securities, other 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. Other investments consist of investments in hedge funds and fund of funds and 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) 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.

(i) Fair value of financial instruments

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

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

Investments in marketable securities: 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.

Other investments: Hedge fund investments, which are investments in fund of funds and investments in other hedge funds, 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.

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.

(j) 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.

(k) 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, 2014, cash in the amount of $589.6 million (2013 - $183.2 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, 2014 and 2013 are as follows:

	2014 ($'000)	2013 ($'000)
Short term investments	$ 674,375	$ 568,124
Derivatives	(681)	15,039
Equity securities	2,167,702	2,257,366
Fixed maturities		
US Treasury and Government Agency	449,057	264,247
State and Municipal bonds	83,174	108,283
Non-US Government bonds	582,251	639,864
Supranationals	38,889	69,893
Corporate bonds	806,522	815,700
Asset-backed securities	217,468	206,487
Mortgage-backed securities	445,517	420,400
Total fixed maturities	2,622,878	2,524,874
Total investments in marketable securities and derivatives	$ 5,464,274	$ 5,365,403
Other investments	$ 874,335	$ 831,216

In the table above 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". At December 31, 2014, approximately 52% (2013 - 49%) of the total mortgage-backed holdings 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.

The credit quality of fixed maturities and short term investments as at December 31, 2014 and 2013, are as follows:

	2014 ($'000)	2013 ($'000)
US Government and Agency	$ 751,819	$ 636,051
AAA	386,694	443,510
AA	713,300	663,400
A	503,718	354,177
BBB	608,809	647,853
Below BBB	332,913	348,007
Total fixed maturities and short term investments	$ 3,297,253	$ 3,092,998

The Company's methodology for assigning credit ratings to our fixed maturities and short term investments, uses the lower rating as determined by Standard & Poor's and Moody's Investors Services. Securities with a credit rating below investment grade as at December 31, 2014, had an unrealized gain of $9.4 million (2013 - $20.9 million gain) at the same date, which has been recorded in the Consolidated Statement of Operations.

At December 31, 2014, $1.5 billion (2013 - $2.8 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 96.1% (2013 - 93.7%) 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 contractual maturities of investments in fixed maturities and short term investments as at December 31, 2014 and 2013, are as follows:

	2014 ($'000)	2013 ($'000)
Due in one year or less	$ 674,374	$ 568,124
Due after one year through five years	934,523	956,550
Due after five years through ten years	517,382	510,479
Due after ten years	507,989	430,958
	2,634,268	2,466,111
Asset-backed securities	217,468	206,487
Mortgage-backed securities	445,517	420,400
Total fixed maturities and short term investments	$ 3,297,253	$ 3,092,998

Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties and the lenders may have the right to put or sell the securities back to the borrower.

The gross realized gains and gross realized losses on investments and the change in unrealized gains and losses for the years ended December 31, 2014 and 2013 are as follows:

	2014 ($'000)	2013 ($'000)
Gross realized gains on investments	$ 1,087,317	$ 757,998
Gross realized losses on investments	(655,390)	(547,064)
Gross realized gains on derivative instruments	345,803	408,819
Gross realized losses on derivative instruments	(282,219)	(321,070)
Gross realized gains on other investments	28,350	84,580
Gross realized losses on other investments	(425)	(46,217)
Change in net unrealized gains and losses during the year on investments	(408,945)	120,979
Change in net unrealized gains and losses during the year on other investments	23,826	56,388
Change in net unrealized gains and losses during the year on derivative instruments	(15,720)	851
Net gains on investments	$ 122,597	$ 515,264

During the year ended December 31, 2014, the change in net unrealized gains and losses on investments was attributable to movements in the fair value of the Company's equity securities of a $371.2 million loss (2013 - $239.9 million gain) and fixed maturities and short term investments of a $37.7 million loss (2013 - $118.9 million loss).

Under US 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 1 financial instruments include cash and certain cash instruments such as money market funds, short term investments, US treasury securities and exchanged traded equities.

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 2 financial instruments include sovereign debt, corporate debt, US agency and non-agency mortgage and asset-backed securities and derivatives.

3. INVESTMENTS (continued)

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.

The fair values of short-term investments are determined based on observable inputs that may include the spread above the risk-free yield curve, reported trades and broker-dealer quotes.

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:

— US government agency securities fair values were based on observable inputs that may include the spread above the risk-free yield curve, reported trades and broker/dealer quotes. These are considered observable market inputs and, therefore, the fair value of these securities are classified within Level 2.

— Non-US government securities consist of bonds issued by non-US 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 US 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 US 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, 2014, the "fund of funds" 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 91 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, 2014, the fair value of hedge funds held in lock ups, side-pockets or gates was $52.8 million (2013 - $83.0 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, 2014, 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, 2014 or 2013.

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, 2014 and 2013, in determining the classification of investment assets and liabilities held at fair value:

December 31, 2014 **Assets**	**Level 1 ($'000)**	**Level 2 ($'000)**	**Level 3 ($'000)**	**Total ($'000)**
Short term investments	$ 302,762	$ 370,568	$ 1,045	$ 674,375
Derivatives, net	—	(681)	—	(681)
Equity securities	2,167,702	—	—	2,167,702
US Treasury and Government Agency	446,548	2,509	—	449,057
State and Municipal bonds	—	83,174	—	83,174
Non-US Government bonds	—	582,251	—	582,251
Supranationals	—	38,889	—	38,889
Corporate bonds	—	806,522	—	806,522
Asset-backed securities	—	217,355	113	217,468
Mortgage-backed securities	—	445,517	—	445,517
Other investments	—	439,263	435,072	874,335
Total	$ 2,917,012	$ 2,985,367	$ 436,230	$ 6,338,609

December 31, 2014 **Liabilities**	**Level 1 ($'000)**	**Level 2 ($'000)**	**Level 3 ($'000)**	**Total ($'000)**
Equity securities sold short	(482,750)	—	—	(482,750)
Total	$ (482,750)	$ —	$ —	$ (482,750)

December 31, 2013 **Assets**	**Level 1 ($'000)**	**Level 2 ($'000)**	**Level 3 ($'000)**	**Total ($'000)**
Short term investments	$ 371,804	$ 196,026	$ 294	$ 568,124
Derivatives, net	—	15,039	—	15,039
Equity securities	2,257,366	—	—	2,257,366
US Treasury and Government Agency	241,544	22,703	—	264,247
State and Municipal bonds	—	108,283	—	108,283
Non-US Government bonds	—	639,864	—	639,864
Supranationals	—	69,893	—	69,893
Corporate bonds	—	815,700	—	815,700
Asset-backed securities	—	206,348	139	206,487
Mortgage-backed securities	—	420,400	—	420,400
Other investments	—	413,437	417,779	831,216
Total	$ 2,870,714	$ 2,907,693	$ 418,212	$ 6,196,619

December 31, 2013 **Liabilities**	**Level 1 ($'000)**	**Level 2 ($'000)**	**Level 3 ($'000)**	**Total ($'000)**
Equity securities sold short	(263,533)	—	—	(263,533)
Total	$ (263,533)	$ —	$ —	$ (263,533)

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, 2014 and 2013:

	Short Term Investments ($'000)	Other Investments ($'000)	Corporate Bonds ($'000)	Asset -Backed Securities ($'000)	Mortgage -Backed Securities ($'000)	Total ($'000)
Beginning balance at January 1, 2014	$ 294	$ 417,779	$ —	$ 139	$ —	$ 418,212
Purchases and issuances	—	12,779	—	—	—	12,779
Sales and settlements	(114)	(20,955)	—	(32)	—	(21,101)
Transfers into Level 3	827	—	—	—	—	827
Transfers out of Level 3	—	—	—	—	—	—
Realized and unrealized gains included in net income for the year	38	25,469	—	6	—	25,513
Ending balance at December 31, 2014	$ 1,045	$ 435,072	$ —	$ 113	$ —	$ 436,230

	Short Term Investments ($'000)	Other Investments ($'000)	Corporate Bonds ($'000)	Asset -Backed Securities ($'000)	Mortgage -Backed Securities ($'000)	Total ($'000)
Beginning balance at January 1, 2013	$ 198	$ 214,355	$ 10,313	$ 705	$ 1,831	$ 227,402
Purchases and issuances	—	216,858	—	—	—	216,858
Sales and settlements	—	(22,642)	(5,070)	(13)	—	(27,725)
Transfers into Level 3	—	12,187	—	129	—	12,316
Transfers out of Level 3	—	—	(5,304)	(720)	(1,818)	(7,842)
Reclassification	104	—	(104)	—	—	—
Realized and unrealized gains included in net income for the year	(8)	(2,979)	165	38	(13)	(2,797)
Ending balance at December 31, 2013	$ 294	$ 417,779	$ —	$ 139	$ —	$ 418,212

The fair value measurements of the Company's Level 3 short term and asset-backed securities were based on unadjusted third party pricing sources. Other investments are valued using the net asset values obtained from the investment managers or administrators of the respective investment funds. 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.

During the year ended December 31, 2014, certain short term investments were transferred into Level 3 based on the 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, 2014.

During the year ended December 31, 2013, the transfer into other investments Level 3 of $12.2 million was due to the liquidation of an investment in a hedge fund. Certain corporate bonds, asset and mortgage backed securities were transferred out of Level 3 where market pricing was available at December 31, 2013, and one asset-backed security was transferred into Level 3 based on its fair value measurement not meeting Level 2 classification criteria at the balance sheet date. Certain Level 3 corporate bonds were reclassified as short term investments due to the proximity to maturity 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, 2013.

4. COMMITMENTS AND CONTINGENCIES

(a) Derivative Instruments

The Company's investment guidelines permit, subject to specific approval, investment in derivative instrument 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. Credit risk arises from the potential inability of counterparties to perform under the terms of the contract.

The tables below show the fair value of the Company's derivative instruments recorded in Investments in Marketable Securities and Derivatives in the Consolidated Balance Sheet as of December 31, 2014 and 2013:

	Derivative Assets	Derivative Liabilities
	2014	2014
	Fair Value ($'000)	Fair Value ($'000)
Interest rate swaps	$ 14,548	$ 31,833
Credit default swaps	—	33
Equity swaps	2,882	9,400
Fixed income and currency options	130	1,409
Forward foreign currency contracts	35,103	9,619
Equity futures	3,922	63
Interest rate futures	8,227	13,136
Total	$ 64,812	$ 65,493

	Derivative Assets	Derivative Liabilities
	2013	2013
	Fair Value ($'000)	Fair Value ($'000)
Interest rate swaps	$ 12,920	$ 12,381
Credit default swaps	—	139
Equity swaps	585	407
Fixed income and currency options	3,441	1,788
Forward foreign currency contracts	16,663	20,859
Equity futures	10,271	—
Interest rate futures	11,062	4,329
Total	$ 54,942	$ 39,903

The tables below show the net gains and losses on the Company's derivative instruments recorded in the net gains on investments in the Consolidated Statement of Operations during the year ended December 31, 2014 and 2013:

	2014		
	Net realized gains and (losses)	Change in unrealized gains and (losses)	Net gains and (losses)
	($'000)	($'000)	($'000)
Interest rate swaps	$ 23	$ (17,824)	$ (17,801)
Credit default swaps	—	106	106
Equity swaps	683	(6,696)	(6,013)
Fixed income and currency options	7,981	(2,932)	5,049
Forward foreign currency contracts	69,741	29,680	99,421
Equity futures	11,678	(6,412)	5,266
Interest rate futures	(26,522)	(11,642)	(38,164)
Total	$ 63,584	$ (15,720)	$ 47,864

	2013		
	Net realized gains and (losses)	Change in unrealized gains and (losses)	Net gains and (losses)
	($'000)	($'000)	($'000)
Interest rate swaps	$ 5,808	$ 204	$ 6,012
Credit default swaps	(26)	(50)	(76)
Equity swaps	4,518	(5,974)	(1,456)
Fixed income and currency options	2,527	2,033	4,560
Forward foreign currency contracts	28,671	(6,121)	22,550
Equity futures	41,935	7,333	49,268
Interest rate futures	4,316	3,426	7,742
Total	$ 87,749	$ 851	$ 88,600

(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 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. 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)

(i) Foreign currency exposure management (continued)

At December 31, 2014 and 2013, the Company had the following open forward foreign currency contracts:

	2014		2013	
Currency	**Notional receivable ($'000)**	**Notional payable ($'000)**	Notional receivable ($'000)	Notional payable ($'000)
AUD	**$ 52,651**	**$ (109,596)**	$ 81,636	$ (140,079)
BRL	**7,897**	**(15,385)**	23,938	(20,214)
CAD	**6,272**	**(66,361)**	1,588	(59,373)
CHF	**16,589**	**(22,920)**	502	(9,906)
CNH	**6,117**	**(9,916)**	1,994	(1,994)
CNY	**15,868**	**(15,868)**	7,729	—
DKK	**1,144**	**(1,505)**	1,410	(26,176)
EUR	**295,502**	**(718,253)**	266,016	(733,191)
GBP	**89,639**	**(235,809)**	88,786	(220,470)
INR	**25,544**	**(10,812)**	7,333	—
JPY	**94,067**	**(186,922)**	79,832	(202,771)
MXN	**10,518**	**(106,642)**	22,664	(52,388)
MYR	**21,736**	**(15,715)**	8,219	—
NOK	**2,570**	**(2,562)**	21,484	(86)
NZD	**13,952**	**(26,906)**	40,881	(82,468)
PLN	**1,137**	**(7,816)**	652	(10,971)
SEK	**854**	**—**	—	(15,283)
TRY	**3,204**	**(7,542)**	4,313	(9,398)
USD	**1,593,445**	**(667,161)**	1,595,626	(653,514)
ZAR	**1,499**	**(2,945)**	—	(13,831)
Other	**4,742**	**(8,827)**	8,233	(14,919)
	$ 2,264,947	**$(2,239,463)**	$ 2,262,836	$ (2,267,032)

At December 31, 2014, unrealized gains of $35.1 million (2013 - $16.7 million) and unrealized losses of $9.6 million (2013 - $20.9 million) on forward foreign currency contracts are included in investments in marketable securities 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 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 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, 2014 and 2013 the contractual values of financial futures contracts are:

	2014		2013	
	Long ($'000)	**Short ($'000)**	Long ($'000)	Short ($'000)
Equity index futures contracts	**$ 130,694**	**$ —**	$ 234,593	$ —
Bond and note futures contracts	**1,316,949**	**(2,357,751)**	1,567,306	(1,113,735)

The Company had gross gains of $12.1 million and gross losses of $13.2 million on open futures contracts for the year ended December 31, 2014 (2013 – gross gains $21.3 million and gross losses $4.3 million). 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, 2014 and 2013 the fair value of open interest rate swap contracts is:

		2014 ($'000)		2013 ($'000)
Interest rate swaps, net	$	(17,285)	$	539

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, 2014 and 2013 the fair value of open fixed income and currency option contracts is:

		2014 ($'000)		2013 ($'000)
Options purchased	$	**130**	$	3,441
Options written (liability)		**(1,409)**		(1,788)

Premiums received for open written options as of December 31, 2014, amounted to $2.9 million (2013 - $1.6 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 Company's 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 in any issuer or market.

(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, $557.1 million (2013 - $299.8 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 to reduce 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 2014 and 2013 is as follows:

	2014 ($'000)	2013 ($'000)
Balance at January 1	**$ 2,405,684**	$ 2,461,518
Incurred losses related to:		
Current year	**329,470**	688,755
Prior years	**(385,272)**	(193,697)
Total incurred	**(55,802)**	495,058
Paid losses related to:		
Current year	—	(47,741)
Prior years	**(406,063)**	(503,151)
Total paid	**(406,063)**	(550,892)
Balance at December 31	**$ 1,943,819**	$ 2,405,684

The 2014 current year incurred losses of approximately $329.5 million primarily relate to: (i) case reserves recorded totaling $97.4 million relating to 7 specific property and pollution incidents incurred during the year; (ii) the establishment of IBNR totaling $227.2 million for the 2014 underwriting year; and (iii) loss expenses incurred totaling $4.9 million.

The 2014 reduction in incurred losses for prior years claims of approximately $385.3 million primarily relates to: (i) a reduction in IBNR relating to prior years of $339.0 million due to favorable adjustments in ultimate loss ratios; (ii) net favorable development totaling $54.2 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 $7.9 million.

The 2013 current year incurred losses of approximately $688.8 million primarily relate to: (i) case reserves recorded totaling $386.4 million relating to 14 specific property and pollution incidents incurred during the year; (ii) the establishment of IBNR totaling $300.3 million for the 2013 underwriting year; and (iii) loss expenses incurred totaling $2.1 million.

The 2013 reduction in incurred losses for prior years claims of approximately $193.7 million primarily relates to: (i) a reduction in IBNR relating to prior years of $161.0 million due to favorable adjustments in ultimate loss ratios; and (ii) net favorable development totaling $32.6 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 were 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 were 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, 2014, the Company has not called the preference shares.

During 2014, the Company repurchased and retired Nil (2013 – 52,382) of the Series A preference shares with a par value of $1,000 per share. As of December 31, 2014, the Company had 300,000 (2013 – 300,000) 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 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 was scheduled to mature on February 10, 2014. The Company renewed the credit facility on February 10, 2014. The amended termination date for the Credit Facility is February 10, 2017. 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, 2014, the facility has not been utilized and the fair value of the investments pledged to collateralize the Company's obligation totaled $Nil (2013 - $Nil).

8. COMMON SHARES

	2014	2013
Authorized		
200 Class A shares of par value $10,000 each	**$ 2,000,000**	$ 2,000,000
Issued and fully paid		
56 (2013 - 56) Class A shares	**$ 560,000**	$ 560,000

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, 2014 and 2013, 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, 2014 and 2013.

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.

The following tables present the reconciliation of the Company's US GAAP shareholders' equity to statutory capital and surplus, and the corresponding minimum capital adequacy levels as at December 31, 2014 and 2013:

	2014 ($'000)	2013 ($'000)
US GAAP shareholders' equity	**$ 4,606,088**	$ 4,184,868
Plus: Theoretical withdrawal premium	**776,801**	1,093,929
Less: Non-admitted assets	**(1,401)**	(1,520)
Statutory capital and surplus	**$ 5,381,488**	$ 5,277,277
Minimum required statutory capital and surplus	**$ 194,382**	$ 240,568

Non-admitted assets for statutory purposes include fixed and prepaid assets.

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, 2014, 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 $0.8 billion, in the calculation of statutory capital and surplus.

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, 2014 the Company is required to maintain relevant assets of at least $1.5 billion. At that date relevant assets are approximately $7.4 billion and the minimum liquidity ratio is therefore met.

12. COMPARATIVE INFORMATION

Certain balances in the 2013 financial statements have been reclassified to conform to the 2014 consolidated financial statement presentation.

13. SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 26, 2015, which is the date the financial statements were issued.

INDEPENDENT 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, 2014 and 2013, 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 US 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, 2014 and 2013, and the results of their operations and their cash flows for the years then ended in accordance with US generally accepted accounting principles.

KPMG Audit Limited

KPMG Audit Limited
Chartered Accountants
Hamilton, Bermuda

February 26, 2015

MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

December 31, 2014 and 2013

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

February 26, 2015

EXECUTIVE STAFF

Robert D. Stauffer
President & Chief Executive Officer

George F. Hutchings
Senior Vice President & Chief Operating Officer

Ricky E. Lines, CFA
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
Senior Vice President & Chief Actuary

Theresa Dunlop
Vice President, OIL

COMMITTEES OF THE BOARD 2014

EXECUTIVE

Roberto Benzan
James F. Hughes, III
Trygve Imsland
Fabrizio Mastrantonio
Gerard Naisse
Robert D. Stauffer

AUDIT

James D. Lyness – *Chairman*
Stephen Foster
Pamela Mihovil
Jean-Louis Thebault

COMPENSATION

Gerard Naisse – *Chairman*
Roberto Benzan
Trygve Imsland
Fabrizio Mastrantonio

GOVERNANCE

Roberto Benzan – *Chairman*
John W. Dumas
Andre Levey

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Hamilton HM 08
Bermuda

BOARD OF DIRECTORS

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

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

John W. Dumas
Vice President, Corporate Insurance
Murphy Oil Corporation

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Assistant Treasurer, Risk Management
Anadarko Petroleum Corporation

Robert Gordan
Assistant Treasurer – Insurance Division
Chevron Corporation

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

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Corporate Insurance Manager
ConocoPhillips Company

Trygve Imsland
Vice President, Head of Insurance
Statoil ASA

Andre Levey
Group Insurance Manager
Santos Ltd.

Gary Maddock
Director, Risk & Insurance
Noble Energy, Inc.

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

Pamela Mihovil
Insurance and Risk Manager
Marathon Oil Corporation

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

Jean-Louis Thebault
Head of Corporate Insurance Division
Électricité de France, S.A.

SUBSIDAIRY COMPANIES

OIL MANAGEMENT SERVICES LTD.

DIRECTORS

Roberto Benzan

Theodore Guidry, II

Theodore R. Henke

James F. Hughes, III

Ricky E. Lines, CFA

Gerard Naisse

Robert D. Stauffer

OIL MANAGEMENT SERVICES LTD.

OFFICERS

Robert D. Stauffer
President & Chief Executive Officer

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

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

George F. Hutchings
Senior Vice President,
Oil Insurance Limited

Robert Foskey
Chief Actuary

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

Cynthia Akagi
Manager, Trust Investments
ConocoPhillips Company

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

James D. Lyness (retired)
Former Assistant Treasurer
Chevron Corporation

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

OIL INVESTMENT CORPORATION LTD.

OFFICERS

Ricky E. Lines, CFA
President & Treasurer

Theodore R. Henke
Secretary

Marlene J. Cechini
Controller & Assistant Secretary

Andrew Rossiter
Vice President

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

Cenovus Energy Inc.

Husky Energy Inc.

Nexen Energy ULC
(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

Électricité 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

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

Alon USA Energy, Inc.

Anadarko Petroleum Corporation

Apache Corporation

Arena Energy, LP

Buckeye Partners, L.P.

Chevron Phillips Chemical Company LLC

Chevron Corporation

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

ConocoPhillips Company
(Sooner Insurance Company)

Drummond Company, Inc.

DTE Energy Company

Energy Transfer Partners LP
(Energy Transfer Equity LP)

Hess Corporation
(Jamestown Insurance Company Limited)

HollyFrontier Corporation

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, 2014.

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