OIL INSURANCE LIMITED
Leaders in Global Energy Insurance

Equipped for the Challenge

2015 ANNUAL REPORT

CONTENTS

FINANCIAL HIGHLIGHTS

(Expressed in thousands of United States dollars)

Premiums Earned

2015
$414,926

2014
$495,932

Total Assets

2015
$6,733,781

2014
$7,336,865

Net Income

2015
$30,925

2014
$731,011

Shareholders' Equity

2015
$4,224,321

2014
$4,606,088

(Ratios expressed as percentages)

Loss Ratio

2015
86.1%

2014
(11.3)%

Expense Ratio

2015
4.9%

2014
4.1%

Combined Ratio

2015
91.0%

2014
(7.2)%

MESSAGE FROM THE PRESIDENT

I am extremely pleased to be writing this message, my first as President & Chief Executive Officer of OIL. It is a genuine honor to be leading an organization of this stature and significance, and I am grateful for the opportunity to be working with such a first-class team.

In assuming my new duties, I am taking over the reins from Bob Stauffer, who has been leading OIL for more than a decade. Over that time, Bob guided the company through many highs and lows while both structure and direction was redefined. Before moving on to my review of the year ending December 31, 2015, I would like to take a moment to acknowledge Bob's valuable contribution to OIL through the years and highlight some of the many achievements by OIL's management and staff under Bob's leadership.

Over the past 10 years, OIL has been transformed. From the highly volatile years of the mid-2000's, OIL is now a well-capitalized insurer, offering long-term stability of coverage and cost via a Rating & Premium Plan (RPP) designed to provide the most efficient transfer of risk for its insureds. OIL has responded to the needs of its insureds and shareholders by providing the breadth and scope of coverage required in today's complex risk landscape. Examples of this are the increased limit from $250 to $400 million, the lock-in plan that drastically reduces year over year premium volatility and the low expense ratio in the 4-6% range. While returning value to the shareholders via $800 million of dividends and premium credits, the shareholders' equity increased significantly – from $875 million in 2005 to $4.2 billion as at December 31, 2015.

On behalf of the shareholders, directors, staff and management team at OIL, I wish to thank Bob for his tireless efforts over the years and wish him all the best in his retirement.

Strong financials, solid operations

The theme for this year's Annual Report is *Equipped for the Challenge* – a theme that is not only particularly relevant given the difficult climate our industry is facing as I write this in early 2016, but one that is also representative of how OIL approached its operations through 2015. At OIL, the priority is – and always has been – to provide value to members and to meet their needs as they evolve.

OIL accomplished this objective in several ways in 2015. First and foremost, the work continued on the rewriting of the Policy and RPP. Both of these projects came closer to completion in 2015 – they are now approved by OIL's Board of Directors and the RPP will be presented to shareholders for approval at the Annual General Meeting in March 2016. This work was necessary to bring OIL's policy language and

corresponding RPP up to date with the current coverage and rating mechanism.

Another key objective is to ensure the ongoing stability of the membership. In the face of a high level of mergers & acquisition activity in the energy industry, our staff works hard to communicate the value of OIL to acquiring investors and new owners. That work helped ensure that OIL's membership remained constant in number and that insured assets remained at a level exceeding $2.9 trillion as of December 31, 2015. This focus also allowed OIL to continue its geographic expansion and in July of 2015 OIL gained its first Asian member via an acquisition of an existing member.

Furthermore, the Capital Management Plan is continuously monitored to ensure that OIL has adequate capitalization to allow it to continue to offer the sizeable limits and broad coverage terms the shareholders rely on while retaining strong ratings by S&P and Moody's.

Adherence to our capital management plan coupled with a benign loss year, allowed OIL to return tangible value to the shareholders in the form of a dividend of $400 million paid in two installments in July and December 2015.

Overall, OIL performed exceptionally well in 2015 – despite the significant headwinds presented by a challenging economic environment and low returns on the investment portfolio.

OIL's management and staff are keenly aware of the challenges experienced by the energy industries in general and many of our shareholders in particular. We remain focused on our goal of providing exceptional value, but know that we must be ready to adapt as necessary to support our membership in the face of the harsh economic realities. To make sure we remain in lock-step with the industry and our members' needs, OIL is undertaking a strategic planning process in 2016. This highly focused strategic review is intended to examine ways to bring additional value to our members in the form of coverage, limits, policyholder services and overall value for premium. The outcome will help us remain flexible in the shifting landscape of the energy industry and will ensure that we are equipped for the challenge ahead.

As we are moving into 2016, OIL is well-positioned to continue to be the reliable partner over the long haul that our members have become accustomed to. They know they can rely on the $400 million in cornerstone capacity that we provide and they know that we will continue to provide the most comprehensive coverage while focusing on how we can deliver additional value.

In closing, I would like to offer my sincere thank you to the staff and management team at OIL for their hard work throughout the year and to our Board of Directors for their invaluable leadership and guidance in the success of OIL. A number of our Board members are retiring this year and I wish them the very best in the years ahead. Finally, I would like to extend my appreciation to our shareholders for their ongoing loyalty and support – I look forward to continuing to serve you in 2016 and beyond.

Bertil C. Olsson
President & Chief Executive Officer

OPERATIONAL REVIEW

A great deal of deliberation and debate went into choosing the theme for OIL's 2015 Annual Report. The worldwide energy industry has been hit hard by the economic uncertainty that has resulted from the sharp decline in commodity prices over the past year and at OIL we believe that it's important to provide support to our members during this difficult time. The theme *Equipped for the Challenge* conveys that sentiment perfectly.

What do we mean when we say that OIL is *Equipped for the Challenge*? A number of things. Primarily, we want our shareholders to know that our mutual is well-positioned, both financially and operationally, to help them through the tough times they may be experiencing – now, and in the years ahead. In short, if our members experience a loss, it is critical now, more than ever, for them to know that they can count on having insurance in place that will meet their needs. We also want to confirm our commitment to getting even better at what we do and to offering even more value to our members. A review of OIL's operations through 2015 illustrates what this means in real terms.

Planning for the future

At OIL, we have an unwavering commitment to meeting the needs of our members. That has been our focus since inception and remained our priority throughout 2015. Our organization is now at the point where all of the so-called "heavy lifting" is done. We have accomplished a great deal over the past years and now it is time to fine tune our operations, to take an even closer look at the way we deliver our product offering to determine where we can make further improvements and how we can enhance our members' experience.

George F. Hutchings

Senior Vice President &
Chief Operating Officer

Equipped to endure

Our mutual is well-positioned, both financially and operationally, to help our shareholders through the tough times they may be experiencing – now, and in the years ahead.

To that end, OIL's Board of Directors and senior staff members have undertaken a further strategic planning review. Discussions began in 2015 and a formal meeting is planned for May 2016. We have identified three areas to focus on as we revisit our strategic plan:

- **Marketing and distribution** – we must determine whether our marketing efforts have been effective and how to increase awareness of OIL's value proposition across the brokerage community and our target prospects
- **Product offering** – our priority now is to continue improving our product offering with a view to anticipating changes in our membership's needs
- **Member services** – one of the ways of enhancing our shareholders' membership experience may be to make our extensive business intelligence, such as 40 years of loss data, available to members

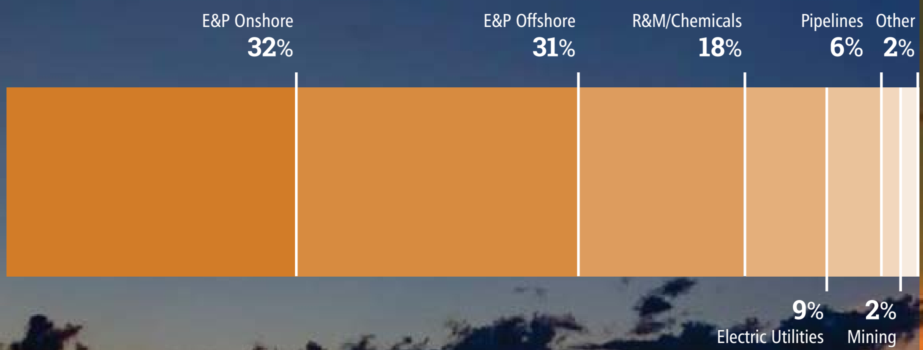
Essentially, we are examining the environment of the industry and considering the changes that our membership may experience as a result. Through the lens of this critical analysis, we will be able to plan more effectively for the future, from both a marketing and a product offering point of view.

Building on these strategic planning priorities, one of the significant initiatives that we commenced in 2015 was the development of a business intelligence system, one that will meet both our members' needs and OIL's internal needs. When it is completed, this system will contain all of the mutual's historical data and will give us the ability to analyze that data in specific, customized ways and then share it – either internally or with our shareholders as appropriate. By providing instant access to critical information, this system will be invaluable in helping us save time, make better decisions, be more productive and further enrich the value OIL offers our membership.

From a financial perspective, 2015 was a successful year for OIL – especially given the prevailing economic climate. Over the long run, we expect to break even on our underwriting results, and in 2015 we effectively did just that, with OIL's net underwriting income coming in at a little over $56.7 million. On the investment side, OIL fared remarkably well in a challenging environment, posting a $6.4 million loss which, after G&A expenses of $19.4 million, ultimately resulted in the company reporting net income of $30.9 million for the year ended December 31, 2015.

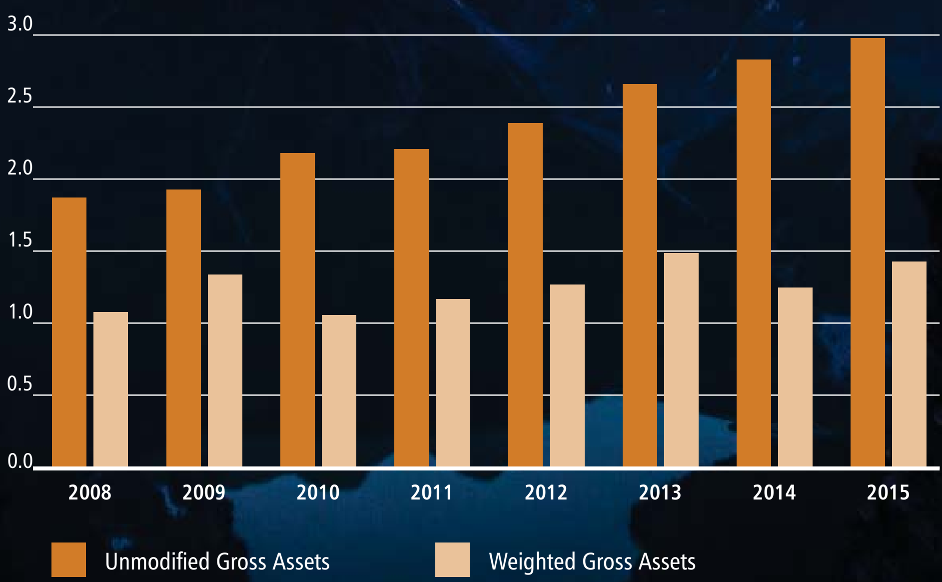
UNMODIFIED GROSS ASSETS

by Industry Sector at December 31, 2015



GROSS ASSETS INSURED

(Expressed in trillions of United States dollars)



As President & CEO Bertil Olsson mentioned in his message on page 4, OIL's strong financial position allowed us to issue a $400 million dividend to shareholders, payable in two equal amounts on June 15, 2015 and December 15, 2015. Even after the payment of those dividends, OIL ended the year with a healthy $4.2 billion in shareholders' equity.

Overall, OIL is well-positioned to continue this solid performance in the year ahead and to support our membership through these difficult times. As Chief Financial Officer Ricky Lines explains in the pages that follow, our organization is on a firm financial footing with sufficient capital and liquidity to meet members' needs. The rewrite of the Rating & Premium Plan will be put to the shareholders at the Annual General Meeting in March 2016 and we expect it will meet with their approval. The rewritten Policy was approved by the Board of Directors in July 2015 and it became effective on January 1, 2016. In addition, our membership remains stable though we continue to work with the brokerage community to further develop the tools necessary to effectively relay the knowledge of the OIL value proposition to prospective new members.

In closing, I would like to offer my deepest appreciation to all those who have contributed to OIL's achievements over the past year – our employees, management team, Board of Directors and members. Thank you for your ongoing loyalty, dedication and support. And a special note of recognition must go to Bob Stauffer, OIL's long-time President & CEO who retired at the end of 2015 – thank you for your many years of dedicated service to the OIL Group of Companies. I wish you a long, happy and healthy retirement.

George F. Hutchings

Senior Vice President &
Chief Operating Officer

Equipped to support

Members know they can rely on the $400 million in cornerstone capacity that we provide and they know that we will continue to provide the most comprehensive coverage available in the market while focused on delivering additional value in the future.

FINANCIAL AND INVESTMENT REVIEW

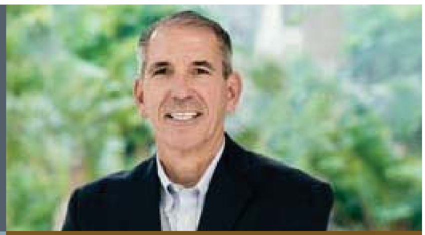
In past Annual Reports we have had the pleasure of relaying to you the progress that management has made in growing OIL from both an operational and a financial standpoint. Today we are pleased to report that with OIL's solid financial foundation in place, we are poised to take the mutual to the next level in meeting the needs of our shareholders.

Weathering the storm

For the oil and gas sector, 2015 was a difficult year. Forced to deal with declining oil prices, a continuation from 2014, many of OIL's shareholders faced numerous challenges in a bid to remain competitive. At OIL, we are committed to helping our shareholders weather this storm. We strongly believe that the following components are essential in affording us the ability to continue to meet our members' needs:

- **Solid capital base:** OIL continues to be appropriately capitalized, with over $4.2 billion in shareholders' equity at December 31, 2015
- **Strong financial ratings:** We have maintained our A2 (Stable) rating from Moody's and A- (Strong) rating from Standard & Poor's
- **Experienced management team and Board of Directors on both our operating and investment boards:** OIL is led by a particularly skilled group of individuals with valuable experience and insight within the energy sector

Ricky E. Lines, CFA Chief Financial Officer



Equipped to get there

Our investment objectives have remained steadfast: to provide adequate liquidity to fund our obligations while simultaneously seeking to preserve and enhance the value of invested assets.

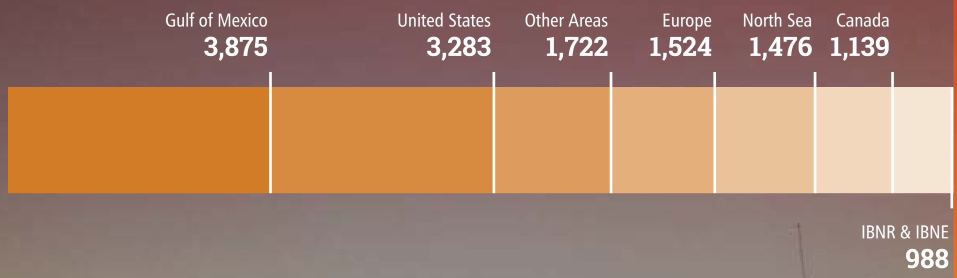
With respect to the investment environment in general, 2015 was challenging and an early indication is for 2016 to be much of the same. Last year got off to a good start with many global markets reaching new highs in April only to sell off in August, led by a sharp decline in Chinese share prices. Economic growth was the weakest since the 2008 financial crisis and in December, the OECD lowered its 2015 world growth estimate downward to 2.9%, below the historical average of 3.6% per year. Oil continued its slide in 2015, falling some 30% from year-end 2014. Also during 2015, the Federal Reserve Bank, the European Central Bank and the Bank of England implemented different monetary paths as a result of diverging economies – for the first time since the Euro's launch in 1999. In December, the Federal Reserve raised its benchmark rate by a quarter point, the first rate hike since 2006.

Throughout this environment, our investment objectives have remained steadfast: to provide adequate liquidity to fund our obligations while simultaneously seeking to preserve and enhance the value of invested assets. At our March 2015 Annual General Meeting, the company announced that the Board of Directors had declared a $400 million dividend to be paid in 2015, in recognition of OIL's continued financial success and solid financial condition. Liquidity required to fund these dividend payments was handled efficiently and without significant impact on our investment portfolio positioning. Throughout 2015, management maintained an investment portfolio position which was primarily underweight global fixed income and overweight funds of fund hedge funds, while shifting our equity weight from a small overweight to a small underweight late in the year. While this tactical positioning benefitted OIL's portfolio performance, overall portfolio return in 2015 finished relatively flat.

Turning our attention to OIL's financial performance, the company ended the year with $4.2 billion in shareholders' equity, subsequent to the $400 million dividend payment. For the year, OIL reported net income of $30.9 million, which included net underwriting income of $56.7 million; a net investment loss of $6.4 million; and general and administrative expenses of $19.4 million.

NET INCURRED LOSSES

by Geographic Region (1972 - 2015) – expressed in United States dollars

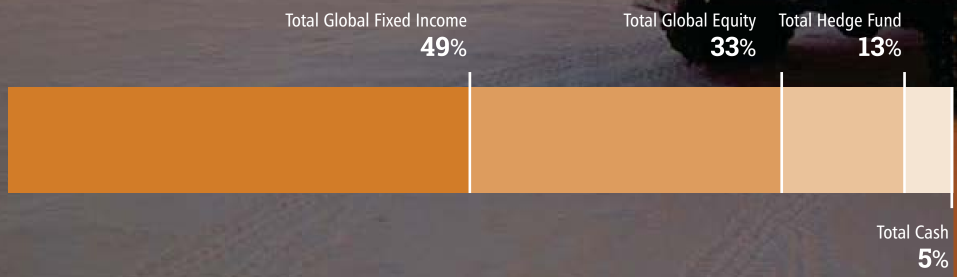


NET INCURRED LOSSES

by Industry Sector (1972 - 2015) – expressed in United States dollars

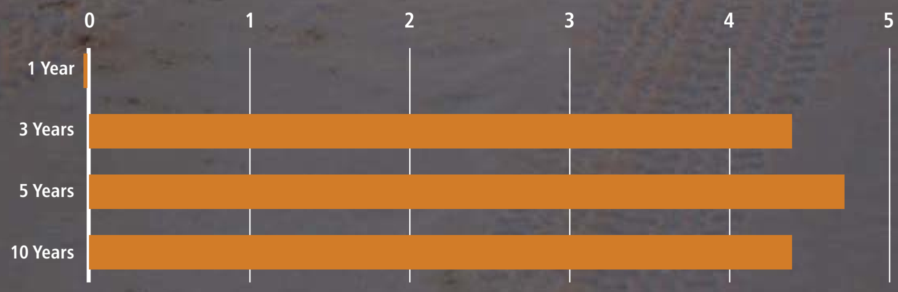
ASSET ALLOCATION

at December 31, 2015



OIL'S TOTAL ANNUALIZED INVESTMENT RETURNS

for the periods ending December 31, 2015 – expressed in percentage returns



As previously mentioned, it appears that the challenging economic environment of 2015 will continue into 2016. OIL is equipped to meet these challenges head-on by maintaining a strong balance sheet, a diversified investment portfolio and the flexibility to adapt to this ever-changing environment.

As always, I feel privileged to work with an extraordinary group of individuals – the OIL Operating Board, the OICL Investment Board and my dedicated colleagues – who work tirelessly to ensure we stay on target and deliver the results that we do. Thank you all for your ongoing support and commitment.

Ricky E. Lines, CFA
Chief Financial Officer

FINANCIAL SECTION

FINANCIAL STATEMENTS

Ten-Year Summary

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Premiums earned	**414,926**	495,932	550,361	672,485	543,425	783,688	891,115	718,586	1,016,819	1,197,330
Net income (loss)	**30,925**	731,011	631,898	646,103	(104,636)	781,780	1,100,270	(1,359,879)	875,730	607,451

Financial Condition

Total assets	**6,733,781**	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
Shareholders' equity	**4,224,321**	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

Ratios

Loss ratio	**86.1%**	(11.3)%	90.0%	91.1%	110.2%	53.9%	58.2%	134.9%	52.9%	82.5%
Expense ratio	**4.9%**	4.1%	4.1%	3.2%	3.4%	2.0%	3.5%	3.7%	3.0%	2.6%
Combined ratio	**91.0%**	(7.2)%	94.1%	94.3%	113.6%	55.9%	61.7%	138.6%	55.9%	85.1%

Summary of Total Liabilities & Shareholders' Equity

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

CONSOLIDATED BALANCE SHEETS

December 31, 2015 and 2014

(Expressed in thousands of United States dollars)

		2015		2014
Assets				
Cash and cash equivalents (Notes 2(k) and 4(b))	$	**856,421**	$	903,138
Investments in marketable securities and derivatives (Notes 2(f), 2(g), 3 and 4)		**5,007,213**		5,464,274
Other investments (Notes 2(f) and 3)		**791,430**		874,335
Investment sales pending settlement		**38,114**		32,863
Accrued investment income		**20,526**		21,278
Amounts due from affiliates (Note 9(b))		**39**		43
Retrospective premiums receivable (Note 2(c))		**18,022**		39,460
Accounts receivable (Note 2(b))		**65**		54
Other assets		**1,951**		1,420
Total assets	$	**6,733,781**	$	7,336,865
Liabilities				
Outstanding losses and loss expenses (Note 5)	$	**1,966,489**	$	1,943,819
Retrospective premiums payable (Note 2(c))		**10,100**		39,046
Premiums received in advance		**12,193**		13,408
Securities sold short (Notes 2(j), 3 and 4)		**392,636**		482,750
Investment purchases pending settlement		**109,144**		239,572
Amounts due to affiliates (Note 9(b))		**3,009**		2,500
Accounts payable		**15,889**		9,682
Total liabilities		**2,509,460**		2,730,777
Shareholders' equity				
Preferred shares (Note 6)		**293,421**		293,421
Common shares (Note 8)		**550**		560
Retained earnings		**3,930,350**		4,312,107
Total shareholders' equity		**4,224,321**		4,606,088
Total liabilities and shareholders' equity	$	**6,733,781**	$	7,336,865

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended December 31, 2015 and 2014

(Expressed in thousands of United States dollars)

	2015	2014
Premiums written (Note 2(b))	$ 423,632	$ 523,913
Retrospective premiums (Note 2(c))	(8,706)	(27,981)
Premiums written and earned	414,926	495,932
Discount earned on retrospective premiums receivable (Note 2(c))	181	217
Losses and loss expenses incurred (Note 5)	(357,261)	55,802
Acquisition costs	(1,121)	(285)
Net underwriting income	56,725	551,666
Interest income	82,400	85,795
Net (losses) gains on investments (Note 3)	(65,020)	122,597
Dividend income	26,151	32,710
Investment advisory and custodian fees	(49,218)	(41,134)
Interest expense and financing costs	(727)	(727)
Net investment (loss) income	(6,414)	199,241
General and administrative expenses (Note 9(a))	(19,386)	(19,896)
Net income	$ 30,925	$ 731,011

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Years ended December 31, 2015 and 2014

(Expressed in thousands of United States dollars)

	Preferred shares	Common Shares Number of shares	Common Shares	Retained earnings	Total
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 on preferred shares	—	—	—	(9,791)	(9,791)
Balance at December 31, 2014	293,421	56	560	4,312,107	4,606,088
Shares issued in year	—	—	—	—	—
Shares redeemed in year	—	(1)	(10)	—	(10)
Net income	—	—	—	30,925	30,925
Dividend on common shares	—	—	—	(400,000)	(400,000)
Dividends on preferred shares	—	—	—	(12,682)	(12,682)
Balance at December 31, 2015	$ 293,421	55	$ 550	$ 3,930,350	$ 4,224,321

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2015 and 2014

(Expressed in thousands of United States dollars)

	2015	2014
Cash flows from operating activities		
Net income	$ 30,925	$ 731,011
Adjustments to reconcile net income to net cash provided by operating activities:		
Net losses (gains) on investments	65,020	(122,597)
Proceeds from the sale of investments	8,506,141	10,793,060
Purchase of investments	(8,207,005)	(10,734,748)
Proceeds from the sale of securities sold short	1,648,269	1,273,648
Purchase of securities sold short	(1,698,252)	(1,041,504)
Changes in operating assets and liabilities:		
Accrued investment income	752	2,612
Amounts due from affiliates	4	30
Retrospective premiums receivable	21,438	28,579
Accounts receivable	(11)	2,928
Other assets	(531)	120
Outstanding losses and loss expenses	22,670	(461,865)
Retrospective premiums payable	(28,946)	33,020
Premiums received in advance	(1,215)	(10,693)
Amounts due to affiliates	509	427
Accounts payable	3,488	(3,748)
Net cash provided by operating activities	363,256	490,280
Cash flows from financing activities		
Redemption of common shares, net	(10)	—
Dividends paid on common shares	(400,000)	(300,000)
Dividends paid on preferred shares	(9,963)	(9,791)
Net cash used by financing activities	(409,973)	(309,791)
Net (decrease) increase in cash and cash equivalents	(46,717)	180,489
Cash and cash equivalents at beginning of year	903,138	722,649
Cash and cash equivalents at end of year	$ 856,421	$ 903,138

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 55 companies as at December 31, 2015. 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.

Under the terms of the Rating and Premium Plan, all members are charged a withdrawal premium upon their withdrawal from the Company. In 2015, the Company recorded withdrawal premiums totaling $Nil (2014 – $Nil).

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, 2015 this rate is approximately 1.31% (2014 – 1.10%). 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, 2015, amounted to $Nil (2014 – $Nil).

(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 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, 2015, cash in the amount of $480.2 million (2014 – $589.6 million) was on deposit with counterparties as collateral for securities sold short and positions held in derivative financial instruments (Note 4).

(l) Recently adopted accounting pronouncements

The Company elected to early adopt the guidance issued in ASU No. 2015-7, "Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)," which removed the requirement to categorize within the fair value hierarchy all investments measured using the net asset value per share practical expedient in all periods presented. The adoption of this accounting guidance did not have a material impact on the Company's financial statements.

3. INVESTMENTS

The fair values of investments as at December 31, 2015 and 2014 are as follows:

	2015 ($'000)	2014 ($'000)
Short term investments	$ 514,370	$ 674,375
Derivatives	(16,631)	(681)
Equity securities	1,960,205	2,167,702
Fixed maturities		
US Treasury and Government Agency	617,764	449,057
State and Municipal bonds	76,056	83,174
Non-US Government bonds	512,777	582,251
Supranationals	43,651	38,889
Corporate bonds	792,866	806,522
Asset-backed securities	178,964	217,468
Mortgage-backed securities	327,191	445,517
Total fixed maturities	2,549,269	2,622,878
Total investments in marketable securities and derivatives	$ 5,007,213	$ 5,464,274
Other investments	$ 791,430	$ 874,335

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, 2015, approximately 47% (2014 – 52%) 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, 2015 and 2014, are as follows:

	2015 ($'000)	2014 ($'000)
US Government and Agency	$ 774,226	$ 751,819
AAA	453,916	386,694
AA	412,467	713,300
A	505,402	503,718
BBB	598,809	608,809
Below BBB	318,819	332,913
Total fixed maturities and short term investments	$ 3,063,639	$ 3,297,253

The Company's methodology for assigning credit ratings to 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, 2015, had an unrealized loss of $26.7 million (2014 – $9.4 million gain) at the same date, which has been recorded in the Consolidated Statement of Operations.

At December 31, 2015, $1.5 billion (2014 – $1.5 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 94.2% (2014 – 96.1%) 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, 2015 and 2014, are as follows:

	2015 ($'000)	2014 ($'000)
Due in one year or less	$ 514,370	$ 674,374
Due after one year through five years	872,785	934,523
Due after five years through ten years	667,284	517,382
Due after ten years	503,045	507,989
	2,557,484	2,634,268
Asset-backed securities	178,964	217,468
Mortgage-backed securities	327,191	445,517
Total fixed maturities and short term investments	$ 3,063,639	$ 3,297,253

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, 2015 and 2014 are as follows:

	2015 ($'000)	2014 ($'000)
Gross realized gains on investments	$ 776,904	$ 1,087,317
Gross realized losses on investments	(746,444)	(655,390)
Gross realized gains on derivative instruments	389,687	345,803
Gross realized losses on derivative instruments	(279,159)	(282,219)
Gross realized gains on other investments	51,290	28,350
Gross realized losses on other investments	(2,974)	(425)
Change in net unrealized gains and losses during the year on investments	(205,133)	(408,945)
Change in net unrealized gains and losses during the year on other investments	(33,241)	23,826
Change in net unrealized gains and losses during the year on derivative instruments	(15,950)	(15,720)
Net (losses) gains on investments	$ (65,020)	$ 122,597

During the year ended December 31, 2015, 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 $40.8 million loss (2014 – $371.2 million loss) and fixed maturities and short term investments of a $164.3 million loss (2014 – $37.7 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 money market funds, short term investments, US treasury securities and exchange traded equities.

3. INVESTMENTS (continued)

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.

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.

When the inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement in its entirety. Thus, a Level 3 fair value measurement may include inputs that are observable (Level 1 and 2) and unobservable (Level 3).

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, 2015, 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 requests 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, 2015, the fair value of hedge funds held in lock ups, side-pockets or gates was $62.4 million (2014 – $52.8 million).

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, 2015 or 2014. Hedge fund investments measured at net asset value are not required to be disclosed within the fair value hierarchy following the Company’s early adoption of ASU 2015-07.

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, 2015 and 2014, in determining the classification of investment assets and liabilities held at fair value:

December 31, 2015 **Assets**	**Level 1 ($'000)**	**Level 2 ($'000)**	**Level 3 ($'000)**	**NAV [1] ($'000)**	**Total ($'000)**
Short term investments	$ 156,462	$ 357,415	$ 493	$ —	$ 514,370
Derivatives, net	—	(16,631)	—	—	(16,631)
Equity securities	1,769,250	—	—	190,955	1,960,205
US Treasury and Government Agency	615,347	2,417	—	—	617,764
State and Municipal bonds	—	76,056	—	—	76,056
Non-US Government bonds	—	505,447	—	7,330	512,777
Supranationals	—	43,651	—	—	43,651
Corporate bonds	—	739,655	—	53,211	792,866
Asset-backed securities	—	178,865	99	—	178,964
Mortgage-backed securities	—	327,191	—	—	327,191
Total investments in marketable securities and derivatives	$ 2,541,059	$ 2,214,066	$ 592	$ 251,496	$ 5,007,213
Other investments measured at net asset value [1]					$ 791,430

December 31, 2015 **Liabilities**	**Level 1 ($'000)**	**Level 2 ($'000)**	**Level 3 ($'000)**	**NAV [1] ($'000)**	**Total ($'000)**
Equity securities sold short	$ (392,636)	$ —	$ —	$ —	$ (392,636)

December 31, 2014 **Assets**	**Level 1 ($'000)**	**Level 2 ($'000)**	**Level 3 ($'000)**	**NAV [1] ($'000)**	**Total ($'000)**
Short term investments	$ 302,762	$ 370,568	$ 1,045	$ —	$ 674,375
Derivatives, net	—	(681)	—	—	(681)
Equity securities	1,876,447	—	—	291,255	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	—	573,570	—	8,681	582,251
Supranationals	—	38,889	—	—	38,889
Corporate bonds	—	770,468	—	36,054	806,522
Asset-backed securities	—	217,355	113	—	217,468
Mortgage-backed securities	—	445,517	—	—	445,517
Total	$ 2,625,757	$ 2,501,369	$ 1,158	$ 335,990	$ 5,464,274
Other Investments measured at net asset value [1]					$ 874,335

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

[1] Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy following the Company's early adoption of ASU 2015-07. The fair value amounts presented in these tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

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 year ended December 31, 2015 and 2014:

	Short Term Investments ($'000)	Asset-Backed Securities ($'000)	Total ($'000)
Beginning balance at January 1, 2015	$ 1,045	$ 113	$ 1,158
Purchases and issuances	—	—	—
Sales and settlements	(360)	(10)	(370)
Transfers into Level 3	—	—	—
Transfers out of Level 3	—	—	—
Realized and unrealized gains included in net income for the year	(192)	(4)	(196)
Ending balance at December 31, 2015	$ 493	$ 99	$ 592

	Short Term Investments ($'000)	Asset-Backed Securities ($'000)	Total ($'000)
Beginning balance at January 1, 2014	$ 294	$ 139	$ 433
Purchases and issuances	—	—	—
Sales and settlements	(114)	(32)	(146)
Transfers into Level 3	827	—	827
Transfers out of Level 3	—	—	—
Realized and unrealized gains included in net income for the year	38	6	44
Ending balance at December 31, 2014	$ 1,045	$ 113	$ 1,158

The fair value measurements of the Company's Level 3 short term and asset-backed securities were based on unadjusted third party pricing sources.

During the year ended December 31, 2015, there were no other transfers in or out of Levels 1, 2 or 3.

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.

4. COMMITMENTS AND CONTINGENCIES

(a) Derivative Instruments

The Company's investment guidelines permit, subject to specific approval, investment in derivative instruments such as futures and option contracts, interest rate swaps and forward foreign currency contracts. Their use is regularly monitored and they are used for yield enhancement, duration management, interest rate and foreign currency exposure management or to obtain an exposure to a particular financial market. The Company's use of derivative instruments with embedded leverage such as futures, swaps and options contracts may increase the Company's investment risk. 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, 2015 and 2014:

	Derivative Assets	Derivative Liabilities
	2015	2015
	Fair Value ($'000)	Fair Value ($'000)
Interest rate swaps	$ 7,270	$ 17,015
Credit default swaps	49	210
Equity swaps	585	9,993
Fixed income and currency options	699	1,327
Forward foreign currency contracts	15,708	10,814
Equity futures	47	387
Interest rate futures	3,613	4,856
Total	$ 27,971	$ 44,602

	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

The tables below show the net gains and losses on the Company's derivative instruments recorded in the net (losses) gains on investments in the Consolidated Statement of Operations during the year ended December 31, 2015 and 2014:

	2015		
	Net realized gains and (losses)	Change in unrealized gains and (losses)	Net gains and (losses)
	($'000)	($'000)	($'000)
Interest rate swaps	$ (215)	$ 7,540	$ 7,325
Credit default swaps	—	(128)	(128)
Equity swaps	876	(2,890)	(2,014)
Fixed income and currency options	9,793	651	10,444
Forward foreign currency contracts	102,084	(20,590)	81,494
Equity futures	726	(4,199)	(3,473)
Interest rate futures	(2,736)	3,666	930
Total	$ 110,528	$ (15,950)	$ 94,578

	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 swap	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

(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, 2015 and 2014, the Company had the following open forward foreign currency contracts:

	2015		2014	
Currency	Notional receivable ($'000)	Notional payable ($'000)	Notional receivable ($'000)	Notional payable ($'000)
AED	$ —	$ (4,499)	$ —	$ —
AUD	32,920	(70,053)	52,651	(109,596)
BRL	32,612	(50,592)	7,897	(15,385)
CAD	55,901	(123,689)	6,272	(66,361)
CHF	31	(104)	16,589	(22,920)
CNH	4,147	(8,452)	6,117	(9,916)
CNY	9,000	(22,245)	15,868	(15,868)
DKK	20,287	(70,149)	1,144	(1,505)
EUR	215,147	(607,998)	295,502	(718,253)
GBP	81,462	(192,085)	89,639	(235,809)
IDR	523	(6,410)	568	(1,166)
INR	28,748	(10,518)	25,544	(10,812)
JPY	39,364	(194,472)	94,067	(186,922)
KRW	24,076	(44,610)	—	(913)
MXN	7,404	(54,259)	10,518	(106,642)
MYR	6,440	(10,827)	21,736	(15,715)
NOK	1,308	—	2,570	(2,562)
NZD	15,572	(29,163)	13,952	(26,906)
PLN	2,885	(4,644)	1,137	(7,816)
RUB	6,013	(3,154)	1,187	(866)
SEK	19,079	(7,562)	854	—
TRY	310	(3,503)	3,204	(7,542)
TWD	301	(7,379)	—	—
USD	1,516,386	(582,502)	1,593,445	(667,161)
Other	4,259	(10,411)	4,486	(8,827)
	$ 2,124,175	$ (2,119,280)	$ 2,264,947	$ (2,239,463)

At December 31, 2015, unrealized gains of $15.7 million (2014 - $35.1 million) and unrealized losses of $10.8 million (2014 - $9.6 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, 2015 and 2014 the contractual values of financial futures contracts are:

	2015		2014	
	Long ($'000)	**Short ($'000)**	Long ($'000)	Short ($'000)
Equity index futures contracts	$ **119,768**	$ **—**	$ 130,694	$ —
Bond and note futures contracts	**767,861**	**(918,100)**	1,316,949	(2,357,751)

The Company had gross gains of $3.7 million and gross losses of $5.2 million on open futures contracts for the year ended December 31, 2015 (2014 – gross gains of $12.1 million and gross losses of $13.2 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)

(ii) Duration management, interest rate management and market exposure management (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, 2015 and 2014 the fair value of open interest rate swap contracts is:

	2015 ($'000)	2014 ($'000)
Interest rate swaps, net	$ (9,745)	$ (17,285)

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, 2015 and 2014 the fair value of open fixed income and currency option contracts is:

	2015 ($'000)	2014 ($'000)
Options purchased	$ 699	$ 130
Options written (liability)	(1,327)	(1,409)

Premiums received for open written options as of December 31, 2015, amounted to $1.7 million (2014 – $2.9 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, $451.3 million (2014 – $557.1 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 2015 and 2014 is as follows:

	2015 ($'000)	2014 ($'000)
Balance at January 1	$ 1,943,819	$ 2,405,684
Incurred losses related to:		
Current year	787,831	329,470
Prior years	(430,570)	(385,272)
Total incurred	357,261	(55,802)
Paid losses related to:		
Current year	(50,511)	–
Prior years	(284,080)	(406,063)
Total paid	(334,591)	(406,063)
Balance at December 31	$ 1,966,489	$ 1,943,819

The 2015 current year incurred losses of approximately $787.8 million primarily relate to: (i) case reserves recorded totaling $537.6 million relating to 13 specific property and pollution incidents incurred during the year; (ii) the establishment of IBNR totaling $241.4 million for the 2015 underwriting year; and (iii) loss expenses incurred totaling $8.8 million.

The 2015 reduction in incurred losses for prior years claims of approximately $430.6 million primarily relates to: (i) a reduction in IBNR relating to prior years of $122.5 million due to favorable adjustments in ultimate loss ratios; (ii) net favorable development totaling $304.7 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 $(3.4) million.

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.

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, 2015, the Company has not called the preference shares.

During 2015, the Company repurchased and retired Nil (2014 – Nil) of the Series A preference shares with a par value of $1,000 per share. As of December 31, 2015, the Company had 300,000 (2014 – 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, 2015, the facility has not been utilized and the fair value of the investments pledged to collateralize the Company’s obligation totaled $Nil (2014 – $Nil).

8. COMMON SHARES

	2015	2014
Authorized 200 Class A shares of par value $10,000 each	$ 2,000,000	$ 2,000,000
Issued and fully paid 55 (2014 – 56) Class A shares	$ 550,000	$ 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, 2015 and 2014, 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, 2015 and 2014.

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, 2015 and 2014:

	2015 ($'000)	2014 ($'000)
US GAAP shareholders' equity	**$ 4,224,321**	$ 4,606,088
Plus: Theoretical withdrawal premium	**674,565**	776,801
Less: Non-admitted assets	**(1,921)**	(1,401)
Statutory capital and surplus	**$ 4,896,965**	$ 5,381,488
Minimum required statutory capital and surplus	**$ 196,649**	$ 194,382

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, 2015, 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 $0.7 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, 2015 the Company is required to maintain relevant assets of at least $1.5 billion. At that date relevant assets are approximately $6.9 billion and the minimum liquidity ratio is therefore met.

12. COMPARATIVE INFORMATION

Certain balances in the 2014 financial statements have been reclassified to conform to the 2015 consolidated financial statement presentation.

13. SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 26, 2016, which is the date the financial statements were issued.

INDEPENDENT AUDITOR'S 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, 2015 and 2014, 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.

Auditor's 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 auditor's 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, 2015 and 2014, 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, 2016

MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

December 31, 2015 and 2014

We, Bertil C. Olsson, 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.

Bertil C. Olsson
President & Chief Executive Officer

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

February 26, 2016

OIL is well positioned to continue to be the reliable partner that our members have become accustomed to.

EXECUTIVE STAFF

Bertil C. Olsson
President & Chief Executive Officer

Theodore R. Henke
Senior Vice President
General Counsel & Secretary

Robert D. Stauffer
President & Chief Executive Officer
(retired January 1, 2016)

Marlene J. Cechini
Controller & Assistant Secretary

George F. Hutchings
Senior Vice President & Chief Operating Officer

Robert Foskey, FCAS, MAAA
Senior Vice President & Chief Actuary

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

Theresa Dunlop
Vice President, OIL

COMMITTEES OF THE BOARD 2015

EXECUTIVE

Roberto Benzan
James F. Hughes, III
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
James F. Hughes, III
Fabrizio Mastrantonio

GOVERNANCE

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

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2 Church Street
Hamilton HM 11
Bermuda

Sutherland Asbill & Brennan LLP
The Grace Building
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U.S.A.

AUDITORS

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Crown House
4 Par La Ville Road
Hamilton HM 08
Bermuda

BOARD OF DIRECTORS

Gerard Naisse
Chairman
President & Chief Executive Officer,
Omnium Insurance Company
(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

Stephen J. Foster
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

James F. Hughes, III
Corporate Insurance Manager
ConocoPhillips Company

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

Lars G. Østebø
Vice President – Head of Insurance
Statoil ASA

Robert D. Stauffer
President & Chief Executive Officer
Oil Insurance Limited
(Retired January 1, 2016)

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

SUBSIDIARY COMPANIES

OIL MANAGEMENT SERVICES LTD.

DIRECTORS

Roberto Benzan

Theodore Guidry, II

Theodore R. Henke

James F. Hughes, III

Ricky E. Lines, CFA

Gerard Naisse

Bertil C. Olsson

OIL MANAGEMENT SERVICES LTD.

OFFICERS

Bertil C. Olsson
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

Ralph J. Egizi – *Chairman*
Director Benefits,
Finance & Investments
Eastman Chemical Company
(Retired)

Morris R. Clark
Vice President & Treasurer
Marathon Oil Corporation

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

James D. Lyness
Assistant Treasurer
Chevron Corporation
(Retired)

Robert D. Stauffer
President & Chief Executive Officer
Oil Insurance Limited
(Retired January 1, 2016)

OIL INVESTMENT CORPORATION LTD.

OFFICERS

Ricky E. Lines, CFA
President & Treasurer

Theodore R. Henke
General Counsel & Secretary

Marlene J. Cechini
Controller & Assistant Secretary

Andrew Rossiter
Vice President

SHAREHOLDERS

ASIA

CNOOC Limited
(ICM Assurance Ltd.)

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.

NOVA Chemicals Corporation
(Novalta Insurance Ltd.)

Paramount Resources Ltd.

Suncor Energy Inc.

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

ITALY

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

LATIN AMERICA / CARIBBEAN

Puerto Rico Electric Power Authority
(PREPA)

NORWAY

Statoil ASA
(Statoil Forsikring A.S.)

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.
(Gaviota Re, S.A.)

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, 2015.

OIL INSURANCE LIMITED
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EQUIPPED FOR THE CHALLENGE