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PETROLEUM LTD. • OMV AG • BRASKEM S.A. • CANADIAN NATURAL
RESOURCES LTD. • CENOVUS ENERGY INC. • HUSKY ENERGY INC. •
NOVA CHEMICALS CORPORATION • PARAMOUNT RESOURCES LTD.
• SUNCOR ENERGY INC. • TRANSCANADA PIPELINES LIMITED •
PUERTO RICO ELECTRIC POWER AUTHORITY • CNOOC LIMITED
• ØRSTED A/S • ÉLECTRICITÉ DE FRANCE S.A. • TOTAL S.A. • BASF SE •
MOL HUNGARIAN OIL AND GAS PUBLIC LIMITED COMPANY •
ENI S.P.A. • EQUINOR ASA • YARA INTERNATIONAL ASA • GALP
ENERGIA, SGPS, S.A. • COMPAÑÍA ESPAÑOLA DE PETRÓLEOS S.A.
(CEPSA) • REPSOL, S.A. • **BACKED BY OIL** • LYONDELLBASELL
INDUSTRIES N.V. • **ANNUAL REPORT 2018** • ROYAL VOPAK N.V. •
ANADARKO PETROLEUM CORPORATION • ANDEAVOR •
APACHE CORPORATION • ARENA ENERGY, LP • BUCKEYE
PARTNERS, L.P. • CHEVRON CORPORATION • CHEVRON
PHILLIPS CHEMICAL COMPANY LLC • CITGO PETROLEUM
CORPORATION • CONOCOPHILLIPS COMPANY • DELEK US
HOLDINGS, INC. • DRUMMOND COMPANY, INC. • DTE ENERGY
COMPANY • ENERGY TRANSFER, LP • HESS CORPORATION •
HOLLYFRONTIER CORPORATION • LOOP LLC • MARATHON
OIL COMPANY • MARATHON PETROLEUM CORPORATION •
MURPHY OIL CORPORATION • NOBLE ENERGY, INC. • OCCIDENTAL
PETROLEUM CORPORATION • PHILLIPS 66 COMPANY • PLAINS
ALL AMERICAN PIPELINE, L.P. • SEMPRA ENERGY • THE SINCLAIR
COMPANIES • THE WILLIAMS COMPANIES,
INC. • VALERO ENERGY CORPORATION •
WESTLAKE CHEMICAL CORPORATION

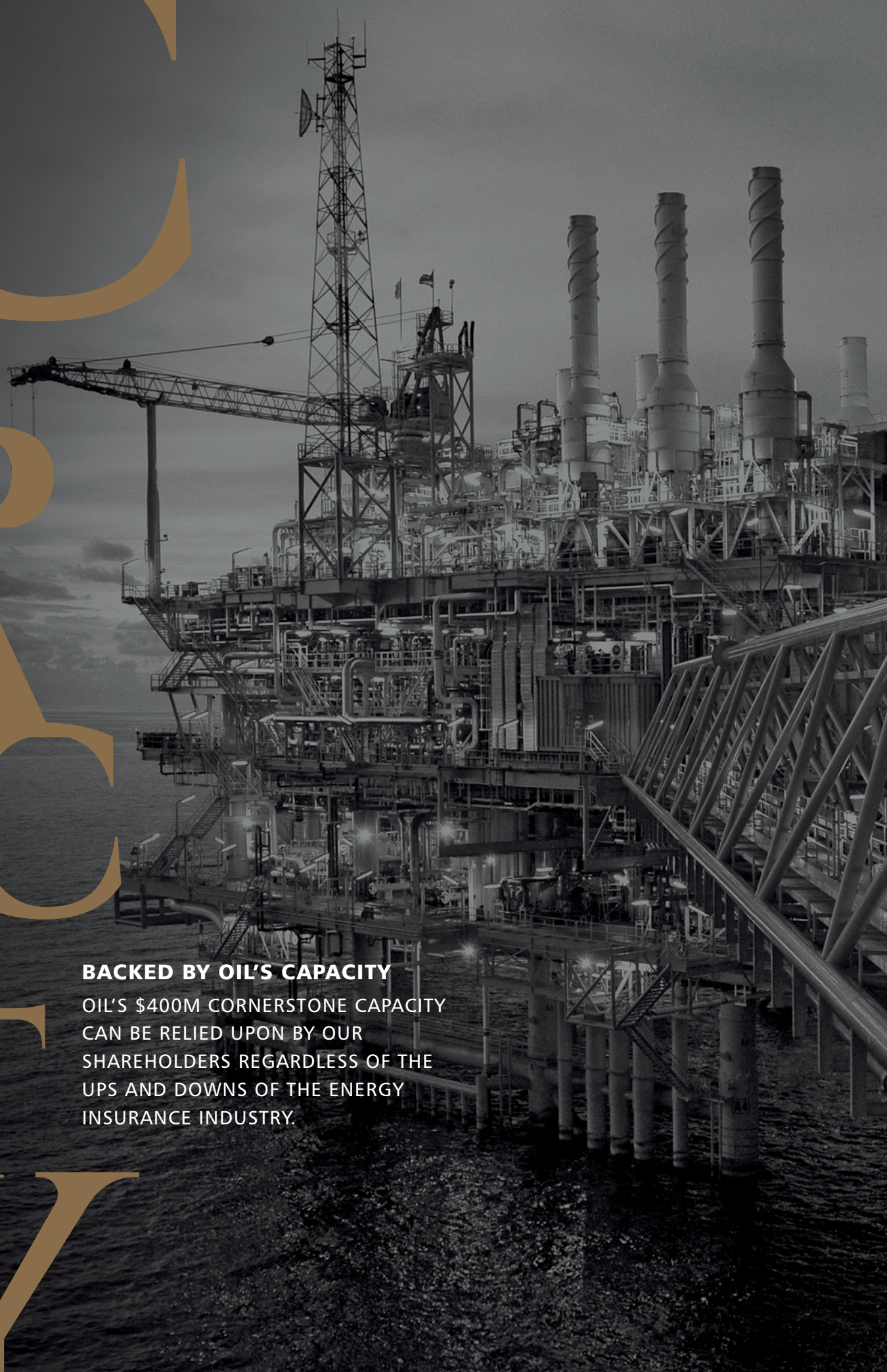


OIL INSURANCE LIMITED
Leaders in Global Energy Insurance

C A P A C I T Y

BACKED BY OIL'S CAPACITY

OIL'S \$400M CORNERSTONE CAPACITY CAN BE RELIED UPON BY OUR SHAREHOLDERS REGARDLESS OF THE UPS AND DOWNS OF THE ENERGY INSURANCE INDUSTRY.



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FINANCIAL HIGHLIGHTS



PREMIUMS EARNED

2018	\$378,779	2017	\$396,342
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TOTAL ASSETS

2018	\$6,318,379	2017	\$7,323,996
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NET INCOME

2018	\$(675,613)	2017	\$587,651
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SHAREHOLDERS' EQUITY

2018	\$3,209,865	2017	\$4,351,262
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(Expressed in thousands of United States dollars)

LOSS RATIO

2018	206.8%
2017	118.0%

EXPENSE RATIO

2018	5.3%
2017	4.9%

COMBINED RATIO

2018	212.1%
2017	122.9%

MESSAGE FROM THE PRESIDENT



Welcome to our 2018 Annual Report where this year's theme is appropriately entitled "Backed by OIL". Resonating from the various messages contained in our report are examples of the many ways that Oil Insurance Limited's (OIL) supports, partners with and assists its membership in structuring their insurance needs.

Most importantly, OIL backs its members by providing a unique value proposition through long-term cost effective insurance solutions with industry leading limits and coverage. While this concept is true and tested, during 2018 we continued to evolve our product and services, all with an objective to improve the value of a membership in OIL.

OIL offers one of the most substantial single limits with some of the broadest coverage available for energy companies. As OIL does not rely on third party capital or reinsurance, it allows for a cost effective and reliable insurance solution for our members' diverse and global operations. A strong capital position, coupled with a robust capital management plan allows our members to rely on the availability of OIL's coverage over the long term and allows us to return any excess capital back to our members.

Two significant events transpired during 2018 in which OIL demonstrated its unique value proposition and strong capital position for the benefit of our members. Firstly, and for the fifth year in a row, OIL was able to return capital to the membership in the form of a substantial dividend. Secondly, in September, Standard & Poor's upgraded OIL's financial strength rating from 'A-' to 'A', with a stable outlook.

While the OIL platform is stable and cost efficient, it also provides the flexibility to accommodate emerging risks exposures. To that point, we have taken steps to improve OIL for renewable energy exposures in response to the growing investments in this sector by many of our current shareholders. As the world's

energy needs continue to grow and the focus on less carbon intensive technology increases, OIL will continue to back its members by evolving the product offering.

Technology and digitization are driving rapid change within the energy industry and the same is true for the insurance industry. OIL is no exception and we continue to deploy technology to the benefit of our members. In 2018, significant progress was made to our objective of leveraging the data collected over the years to the benefit of the membership via a suite of customized reports for our members. These reports allow our members to better assess the overall value of their membership as well as how to optimize their participation in the mutual. During the year we also upgraded our data security with the development of a Cyber Response Plan and new data security technology.

In addition to the critical importance of the insurance product and member service, we continue to emphasize the importance of maintaining strong relationships with our members. In keeping with this objective, we visited members in their home offices in Asia Pacific, North America and Europe during 2018.

Also in March, we held our first Shareholder's Conference jointly with our sister company OCIL, in conjunction with OIL's Annual General Meeting. Approximately 100 participants across the combined memberships joined us in Bermuda for networking, workshops and panel discussions about the state of the industry. The members who participated provided positive feedback and we are hosting a similar conference in 2019. Efforts such as this differentiate OIL from the commercial markets and provide further evidence of our commitment to supporting our membership.

2018 was not without challenges. During the past five years, OIL has enjoyed a relatively benign loss

environment. This has been reflected in a cumulative 32% premium reduction since 2014. However, through a combination of new claims and prior years' claims maturing, 2018 marked a turning point in which OIL saw total insured losses well in excess of those experienced recently. This drove an underwriting loss and together with the weak investment performance, generated a net loss for the mutual in 2018.

While members will see some premium increases over the next few years, OIL still represents excellent value over the long term and we continue to see long-term commitments from our members. We also take comfort in knowing that OIL was designed for this outcome and continues to be well capitalized and managed within our risk limits.

The interest in OIL remains high throughout the industry and around the world. We continue to attract potential new members who want to learn more about our unique product offering and exceptional service.

In closing, I want to say thank you to the management and staff at OIL who dedicate great time and energy to assisting our members in meeting their needs. To our Board of Directors, I extend my gratitude for your guidance and counsel. And finally, I would like to acknowledge our members: thank you for continuing to entrust us with your insurance requirements. We are grateful for your loyalty.



BERTIL C. OLSSON
President & Chief Executive Officer

OPERATIONAL REVIEW



GEORGE F. HUTCHINGS

Senior Vice President & Chief Operating Officer

At Oil Insurance Limited, we believe our ongoing success is predicated on a number of factors – the \$400 million in cornerstone capacity we offer our members, our strong financial foundation, our history of prompt claims payments – but the common thread connecting all of these elements is one underlying principle: we support our shareholders through all of the ups and downs of the energy business. In an industry that is often marked by uncertainty, it's important for our members to have something they can rely on, and that something is OIL. Simply put, they are "Backed by OIL."

How is this manifested? In a myriad of ways, really. Every year, we seek new opportunities to bring value to our membership so that they know that we back and support them, and 2018 was no exception.

Furthering Our Strategic Objectives

Throughout the year ended December 31, 2018, OIL continued to execute on the three pillars of the organization's 2016 Strategic Plan: member services, our product offering, and marketing and distribution. As discussed in last year's Annual Report, as part of our commitment to support our shareholders, we launched initiatives in each of these areas in 2017; in 2018, we made further progress on them.

For instance, one of our priorities in the member services category was to pay a visit to each of our shareholders. By meeting with our members on a one-to-one basis, we have the chance to gather their feedback and to ensure that OIL is continuing to meet their needs. This year, we managed to meet with a dozen OIL members and embraced the opportunity to sit down with senior managers and C-level executives to gain insight into their perspective. This continues to be a valuable initiative, one that will remain a priority going forward.



REACH

**BACKED BY OUR
GLOBAL MEMBERSHIP**

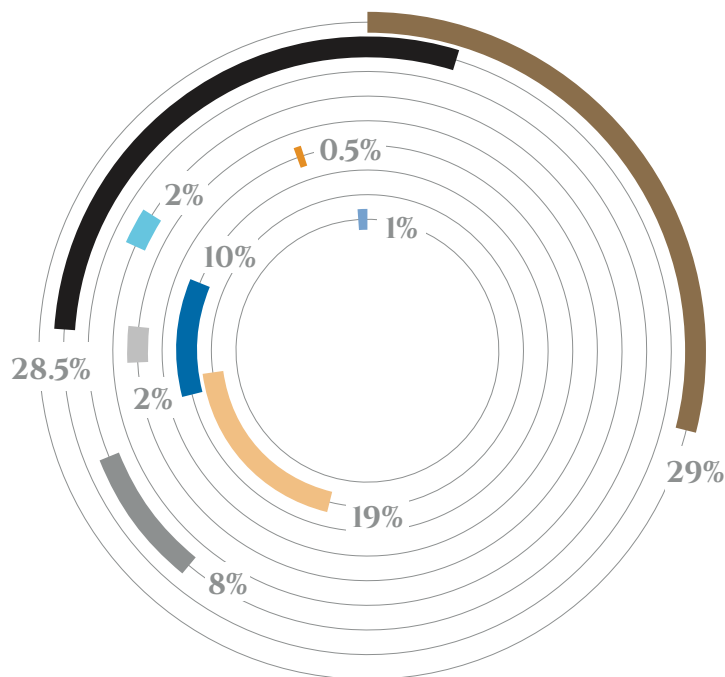
IN 2018, WE CONTINUED
TO ATTRACT NEW MEMBERS
FROM DIFFERENT AREAS OF
THE WORLD AND WELCOMED
OUR FIRST MEMBER FROM
SOUTH AMERICA.

OPERATIONAL REVIEW CONTINUED

UNMODIFIED GROSS ASSETS

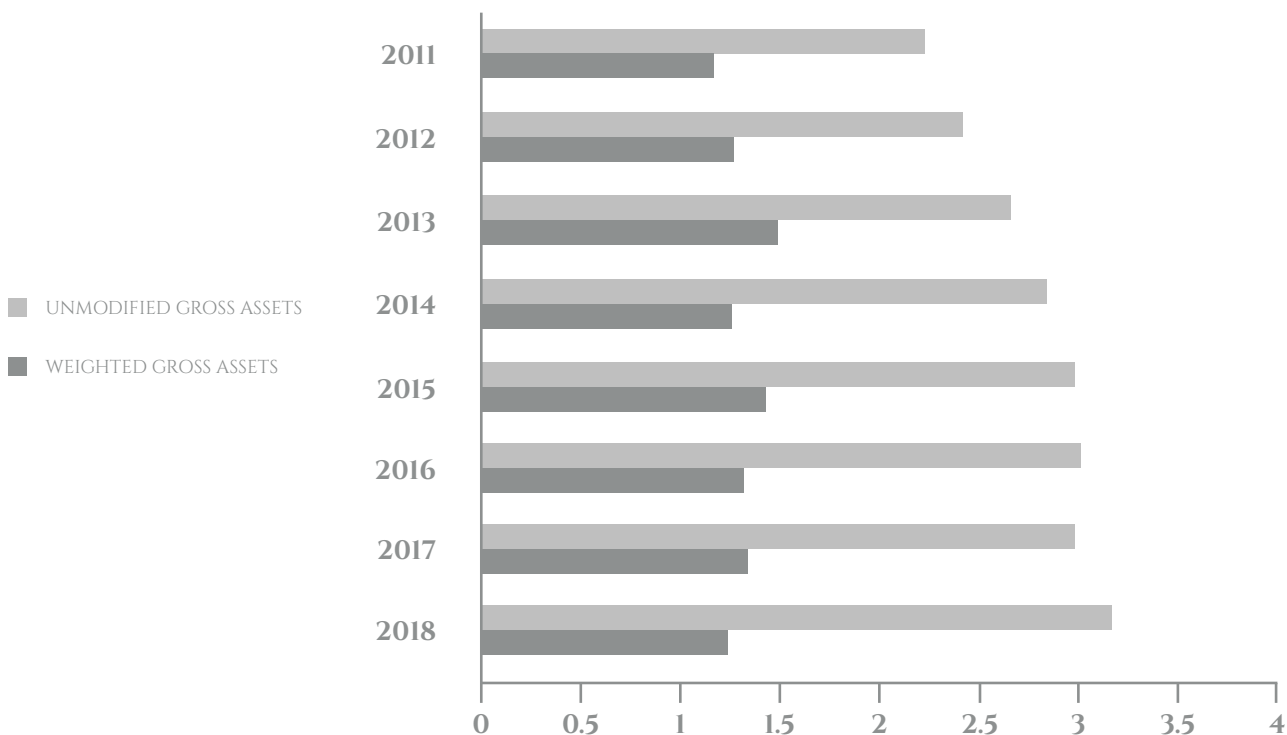
By Business Sector
at December 31, 2018

- E&P OFFSHORE
- E&P ONSHORE
- ELECTRICAL UTILITIES
- MINING
- OTHER
- PHARMACEUTICALS
- PIPELINES
- R&M / CHEMICALS
- WIND & SOLAR RENEWABLES



GROSS ASSETS INSURED

Expressed in trillions of United States dollars



Also in the member services area is our ongoing foray into data analytics. Our initial efforts involved analyzing the data that OIL has collected over time about each of our members and their participation in the mutual – looking at figures related to premiums and losses, for example – and making that information available to them. In 2018, we worked on taking this project to the next level: we’ve developed the technology that will enable shareholders to use our data for benchmarking and to compare their history with OIL to the rest of the membership. We are looking forward to presenting these innovative new capabilities at the Annual General Meeting in March 2019.

As OIL CEO Bertil Olsson mentioned in his message, the company remains focused on ensuring that our product offering is evolving in tandem with members’ needs. As OIL shareholders are making considerable investments in the generation, storage and transmission of energy from wind and solar resources, we have committed to supporting those efforts by adding the renewables sector. Through 2018, we started taking the necessary steps to establish specific pricing for this newest sector; with our efforts through the year, I am pleased to report that the renewables sector is getting closer to becoming a standalone component of our offering.

In the 2017 Annual Report, I referred to the work OIL has been doing to spread the word about our unique value proposition and to generate interest in the mutual, including the hiring of an independent consultant who is domiciled in London and helps represent OIL in the marketplace. Having this consultant in London has proven to be very beneficial to the mutual overall. Not only has he provided us with valuable market intelligence, but he has also helped us to identify and connect with qualified prospects. These results are in line with what we originally anticipated.

Strengthening Our Financial Standing

Apart from the ongoing execution of our Strategic Plan, one of OIL’s most significant achievements in 2018 was the upgrade of our financial ratings by Standard & Poor’s (S&P) from ‘A-’ to ‘A’, with a stable outlook.

This improved rating is noteworthy for a number of reasons. First, it confirms the fact that the mutual – and by extension, our members – is backed by recognized financial strength. S&P and Moody’s are now unified in their ratings of OIL. Second, the higher rating should provide an immediate benefit to shareholders – specifically those who operate in the European Union – by way of reduced capital costs, particularly in their captives. And third, it represents a shift in thinking on the part of S&P. OIL’s unique retrospective pricing plan and its extremely strong capital and earnings were the contributing factors in the upgrade.

The ratings increase is a testament to the hard work the OIL team has put in over the past 13 years to strengthen and solidify the company’s financial position – a tremendous accomplishment indeed.

OIL’s continued financial strength and demonstrated support for shareholders was also reflected in the Board’s decision in 2018 to declare a dividend in the aggregate amount of \$450 million. This is the largest dividend issued in OIL’s history and the fifth year in a row that the mutual has returned excess capital to shareholders. It is interesting to note that, over the past five years, members have paid a total of \$2.1 billion in premiums and have received a total of \$1.8 billion in dividends. That means that \$400 million in cornerstone capacity only cost OIL’s 54 members \$300 million on a collective basis over the past five years.

STRONG

BACKED BY OIL'S STRONG FINANCIAL POSITION

IN 2018, OIL'S UNIQUE
VALUE PROPOSITION AND
FINANCIAL STRENGTH
WAS RECOGNIZED BY
STANDARD & POOR'S,
RESULTING IN AN
UPGRADE TO OUR
FINANCIAL RATING
TO 'A' (STABLE).

OPERATIONAL REVIEW CONTINUED

Turning to the numbers, at \$379 million, premiums written for 2018 were down from last year while losses incurred increased to \$783 million. It should be noted that these results do not tell the full story, as the company's total incurred losses – excluding the IBNR adjustment – were \$911 million for 2018, and this is the figure that is used to calculate premiums going forward.

Though this is a higher level of losses than we've become accustomed to over the past several years, it falls within one standard deviation of expected losses and so it does not come as a complete surprise. This is precisely why OIL is here with significant capacity – to support our members by covering and paying claims as they arise and then moving forward.

Please see the Financial & Investment Review on Page 13 for further details about OIL's financial results for the year ended December 31, 2018, as well as commentary from the company's Chief Financial Officer, Ricky Lines.

In 2018, we were very pleased to welcome a new member to the mutual. Braskem S.A. is headquartered in Brazil – making it our first shareholder domiciled in South America – with operations in Mexico, Brazil, Europe and the United States.

I would like to extend my deep gratitude to the entire OIL team for their diligent work and dedication to furthering the company's objectives over the past year. Moving forward, we intend to continue backing our members by executing on our Strategic Plan, remaining financially strong and providing them with the capacity they need. Thank you to our shareholders for your loyalty, to our Board for your guidance and to the entire OIL and OMSL management team for your extraordinary leadership.



GEORGE F. HUTCHINGS

Senior Vice President & Chief Operating Officer

BACKED BY OIL'S CAPITAL

OVER THE PAST FIVE YEARS, AS A RESULT OF PRUDENT FINANCIAL MANAGEMENT, OIL HAS ISSUED NEARLY \$2 BILLION IN DIVIDENDS TO MEMBERS – INCLUDING A RECORD \$450 MILLION IN 2018.

CAPITAL

FINANCIAL & INVESTMENT REVIEW



RICKY E. LINES, CFA

Senior Vice President & Chief Financial Officer

As Bertil and George discussed in their respective messages, “Backed by OIL” sums up the many ways in which the mutual strives to support its membership. Underlying those efforts – including the strategic initiatives, products and services – is the company’s strong financial position. OIL’s solid financial footing is what makes the rest of the company’s operations possible. Thanks to our deliberate approach to both financial and investment management, we continue to maintain sufficient liquidity to pay claims as they arise and to deliver dividends when our capital management plan indicates that it is practical to do so. Our success in accomplishing both during 2018 is particularly impressive given the challenging investment and operating climate that dominated throughout most of the year.

Beginning with a summary of OIL’s financials, the mutual finished the year ending December 31, 2018 with shareholders’ equity of \$3.21 billion, down from \$4.35 billion in 2017. For the year, OIL reported a net loss of \$676 million, which included an underwriting loss of \$405 million, a net investment loss of \$251 million, and \$20 million in general and administrative expenses. Net premiums written and earned were \$379 million, with loss and loss expenses of \$783 million. Total claim payments for the year amounted to \$518 million.

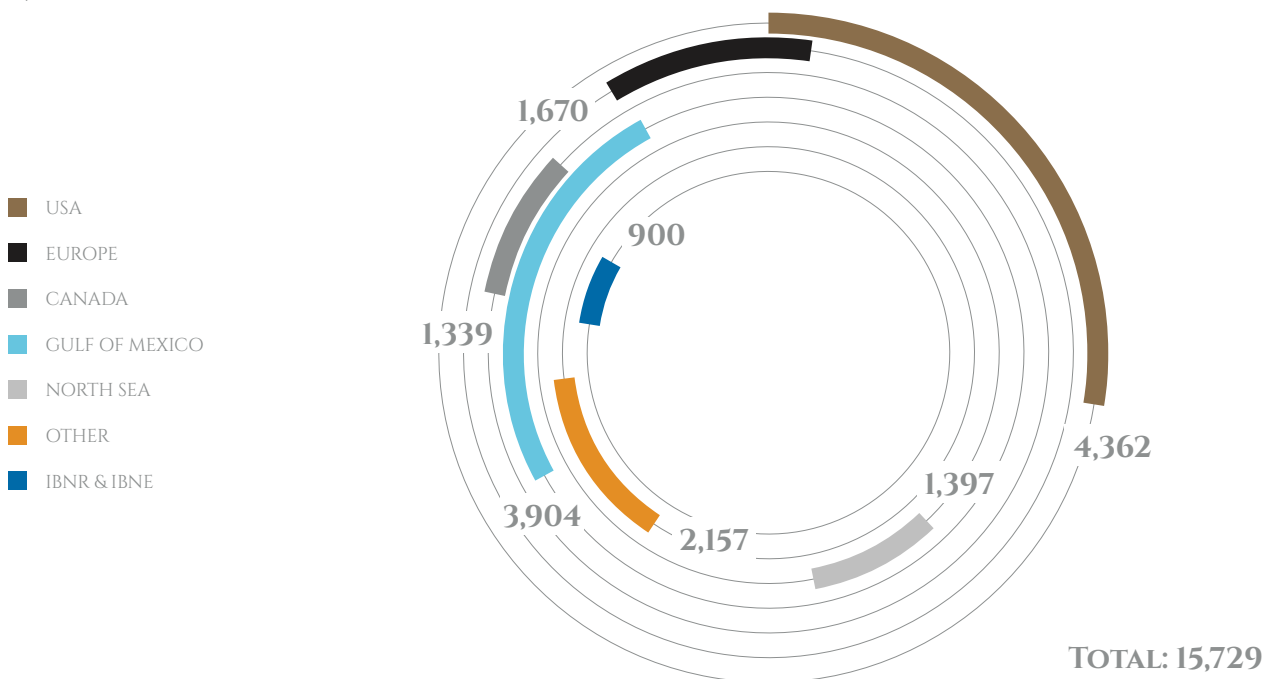
Before taking an in-depth look at the global markets for 2018, it’s important to put the year into perspective. When we entered 2018, the S&P 500 Index had delivered nearly 10 years of positive returns and 2017 was among the least volatile years in history with virtually every asset class generating a positive return. As a result, investment results were stellar across the board. While we saw a continuation of the upward trajectory within financial markets at the beginning of 2018, volatility took root around the middle of the first quarter – and remained well entrenched throughout the remainder of the year.

FINANCIAL & INVESTMENT REVIEW CONTINUED

NET INCURRED LOSSES

By Geographic Region (1972 - 2018)

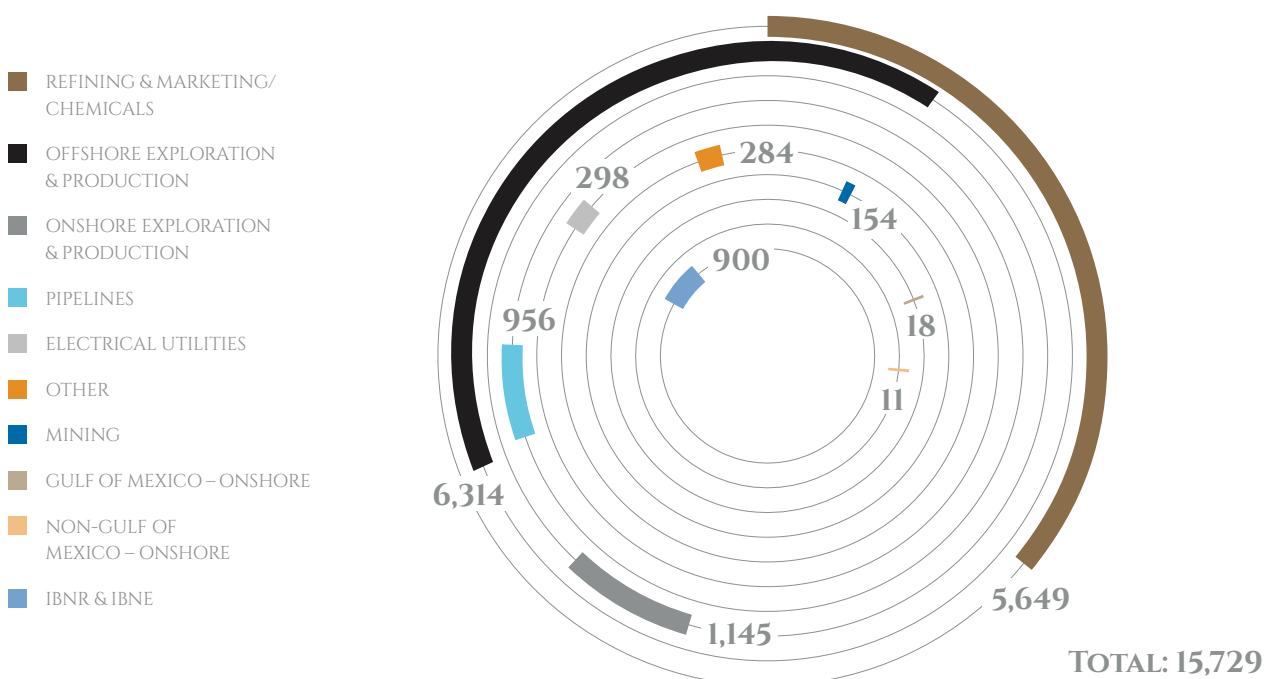
Expressed in millions of United States Dollars



NET INCURRED LOSSES

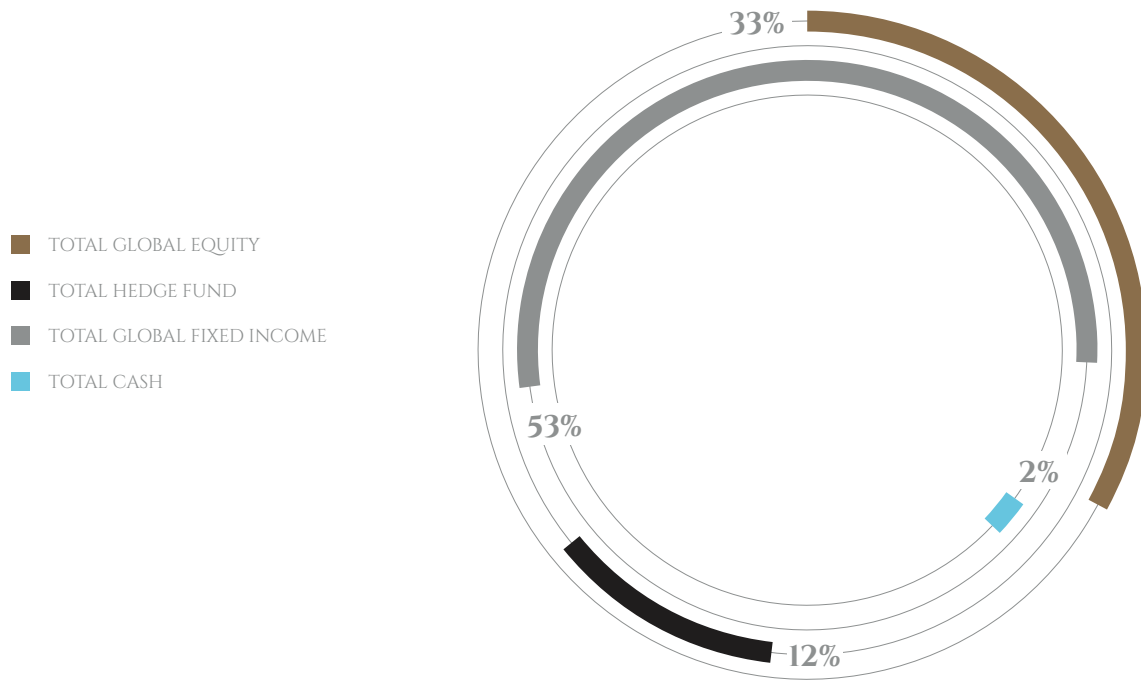
By Business Sector (1972 - 2018)

Expressed in millions of United States Dollars



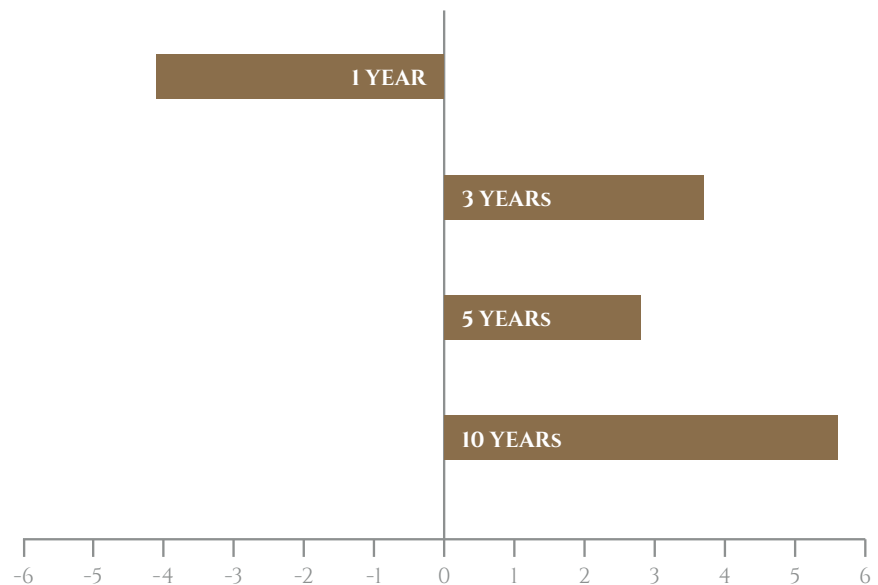
CURRENT ASSET ALLOCATION

Expressed in millions of United States Dollars



OIL'S TOTAL ANNUALIZED INVESTMENT RETURNS

For the periods ending December 31, 2018
Expressed in percentage returns



FINANCIAL & INVESTMENT REVIEW CONTINUED

Much of this volatility can be attributed to the ongoing trade disputes between the US and China while the Federal Reserve's projection of four interest rate hikes through the year also had an impact on equity valuations. Overall slowing global growth and the uncertainty surrounding Brexit placed additional strain on the markets. In short, after 10 years of continued market growth, it was time for a pause and reset.

Investment performance in 2018 confirmed that the equity markets are indeed unpredictable and emphasized the importance of a disciplined approach to asset allocation. At OIL, we believe this is just prudent investment management – an approach that has served the mutual well over the years. Essentially, we're constantly evaluating and re-evaluating our asset allocation to ensure it remains aligned with the company's operating objectives so we are positioned to provide our members with the backing they need through the good times and the bad.

OIL's total portfolio was down 4% for the year. While positive returns are preferable, we must keep in mind that we are investing for the long term. Based on our assessment of the underlying economic fundamentals, we maintained a small overweight to global equities and fund of hedge funds, and an underweight to global bonds for most of 2018. That said, and given the global selloff in equities during the fourth quarter, we finished the year with an investment allocation that was comprised of 53% global bonds, 12% fund of hedge funds, 33% global equities and 2% cash.

While 2018 proved challenging, this is why we "manage" money, and the good news is that, thanks to our prudent investment management, our investment losses were limited and we succeeded in preserving the liquidity necessary to support our membership and to pay claims. This is critical to maintaining our strong relationship with our shareholders – they need to know that they are "Backed by OIL," regardless of the investment

climate or claims activity. This is precisely what we achieved in 2018: we promptly paid \$518 million in claims and declared and paid a \$450 million dividend – the fifth successive year that we've been able to return capital.

As George mentioned in the Operational Review, one of the highlights of 2018 was the Standard & Poor's (S&P) upgrade of our financial strength rating to 'A', with a stable outlook. Ratings are very important for our shareholders – particularly those in Europe – and this escalation helps address their needs. For our part, maintaining our ratings with both S&P and Moody's means that we have to be cognizant of the rating agencies' concerns and constraints and also ensure that we manage our invested assets within those limitations, paying particular attention to the associated risks.

As we enter 2019, financial markets have recovered somewhat. The general sentiment is for the global economy to continue its upward trajectory, but at a slower pace. In the year ahead, and keeping in mind the risks associated with a maturing economic cycle, management will continue to be tactical in its asset allocation.

As always, I would like to recognize the insightful guidance and ongoing commitment of OIL's Operating Board and the Investment Board of Directors at OIL Investment Corporation Ltd. – thank you for your support. In addition, the hard work and diligence of my team of talented professionals within finance and investments are invaluable and integral to our success. Thank you for your dedication.



RICKY E. LINES, CFA
Senior Vice President & Chief Financial Officer

FINANCIAL STATEMENTS

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FINANCIAL STATEMENTS

TEN-YEAR SUMMARY

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Premiums earned	378,779	396,342	427,731	414,926	495,932	550,361	672,485	543,425	783,688	891,115
Net income (loss)	(675,613)	587,651	210,406	30,925	731,011	631,898	646,103	(104,636)	781,780	1,100,270

FINANCIAL CONDITION

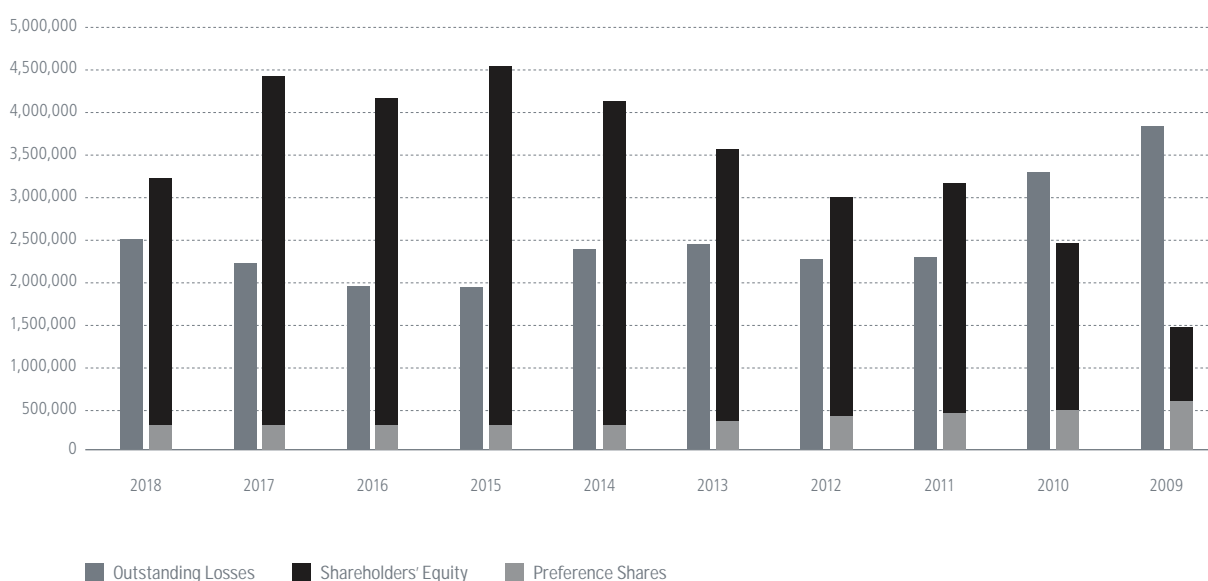
Total assets	6,318,379	7,323,996	6,898,671	6,733,781	7,336,865	7,094,638	6,450,657	5,746,005	5,893,800	6,068,091
Shareholders' equity	3,209,865	4,351,262	4,026,302	4,224,321	4,606,088	4,184,868	3,611,771	3,033,147	3,200,635	2,481,884

RATIOS

Loss ratio	206.8%	118.0%	114.0%	86.1%	(11.3)%	90.0%	91.1%	110.2%	53.9%	58.2%
Expense ratio	5.3%	4.9%	5.0%	4.9%	4.1%	4.1%	3.2%	3.4%	2.0%	3.5%
Combined ratio	212.1%	122.9%	119.0%	91.0%	(7.2)%	94.1%	94.3%	113.6%	55.9%	61.7%

SUMMARY OF TOTAL LIABILITIES & SHAREHOLDERS' EQUITY

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



CONSOLIDATED BALANCE SHEETS

December 31, 2018 and 2017

(Expressed in thousands of United States dollars)

	2018	2017
ASSETS		
Cash and cash equivalents (Notes 2(k) and 4(b))	\$ 565,374	\$ 722,780
Investments in marketable securities and derivatives (Notes 2(f), 2(g), 3 and 4)	4,983,464	5,649,711
Other investments (Notes 2(f) and 3)	664,859	733,915
Investment sales pending settlement	57,375	196,881
Accrued investment income	20,480	18,383
Amounts due from affiliates (Note 8(b))	54	185
Retrospective premiums receivable (Note 2(c))	24,158	469
Accounts receivable (Note 2(b))	808	152
Deferred acquisition costs	372	—
Other assets	1,435	1,520
Total assets	\$ 6,318,379	\$ 7,323,996
LIABILITIES		
Outstanding losses and loss expenses (Note 5)	\$ 2,508,335	\$ 2,242,876
Retrospective premiums payable (Note 2(c))	2,840	7,533
Premiums received in advance	8,461	—
Securities sold short (Notes 2(j), 3 and 4)	302,165	402,835
Investment purchases pending settlement	271,726	303,672
Amounts due to affiliates (Note 8(b))	3,973	2,692
Accounts payable	11,014	13,126
Total liabilities	3,108,514	2,972,734
SHAREHOLDERS' EQUITY		
Preferred shares (Note 6)	293,421	293,421
Common shares (Note 7)	550	540
Retained earnings	2,915,894	4,057,301
Total shareholders' equity	3,209,865	4,351,262
Total liabilities and shareholders' equity	\$ 6,318,379	\$ 7,323,996

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended December 31, 2018 and 2017
(Expressed in thousands of United States dollars)

	2018	2017
Premiums written (Note 2(b))	\$ 354,853	\$ 396,285
Retrospective premiums (Note 2(c))	23,926	57
Premiums written and earned	378,779	396,342
Discount earned on retrospective premiums receivable (Note 2(c))	(109)	(103)
Losses and loss expenses incurred (Note 5)	(783,274)	(467,547)
Acquisition costs	(34)	—
Net underwriting loss	(404,638)	(71,308)
Interest income	98,820	85,752
Net (losses) gains on investments (Note 3)	(342,090)	603,527
Dividend income	24,551	28,550
Investment advisory and custodian fees	(31,973)	(38,882)
Interest expense and financing costs	(356)	(281)
Net investment (loss) income	(251,048)	678,666
General and administrative expenses (Note 8(a))	(19,927)	(19,707)
Net (loss) income	\$ (675,613)	\$ 587,651

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Years ended December 31, 2018 and 2017

(Expressed in thousands of United States dollars)

	Preferred shares	Common shares		Retained earnings	Total
		Number of shares			
Balance at December 31, 2016	\$ 293,421	56	\$ 560	\$ 3,732,321	\$ 4,026,302
Shares issued in year	—	—	—	—	—
Shares redeemed in year	—	(2)	(20)	—	(20)
Net income	—	—	—	587,651	587,651
Dividend on common shares	—	—	—	(250,000)	(250,000)
Dividends on preferred shares	—	—	—	(12,671)	(12,671)
Balance at December 31, 2017	\$ 293,421	54	\$ 540	\$ 4,057,301	\$ 4,351,262
Shares issued in year	—	1	10	—	10
Shares redeemed in year	—	—	—	—	—
Net loss	—	—	—	(675,613)	(675,613)
Dividend on common shares	—	—	—	(450,000)	(450,000)
Dividends on preferred shares	—	—	—	(15,794)	(15,794)
Balance at December 31, 2018	\$ 293,421	55	\$ 550	\$ 2,915,894	\$ 3,209,865

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2018 and 2017
(Expressed in thousands of United States dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) income	\$ (675,613)	\$ 587,651
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Net losses (gains) on investments	342,090	(603,527)
Proceeds from the sale of investments	9,167,728	7,659,292
Purchase of investments	(8,697,628)	(7,459,704)
Proceeds from the sale of securities sold short	1,166,891	1,086,597
Purchase of securities sold short	(1,236,888)	(1,149,384)
Changes in operating assets and liabilities:		
Accrued investment income	(2,097)	674
Amounts due from affiliates	131	(143)
Retrospective premiums receivable	(23,689)	4,807
Accounts receivable	(656)	30,041
Deferred acquisition costs	(372)	—
Other assets	85	155
Outstanding losses and loss expenses	265,459	34,784
Retrospective premiums payable	(4,693)	910
Premiums received in advance	8,461	—
Amounts due to affiliates	1,281	(2,090)
Accounts payable	(2,112)	3,428
Net cash provided by operating activities	308,378	193,491
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance (redemption) of common shares, net	10	(20)
Dividends paid on common shares	(450,000)	(250,000)
Dividends paid on preferred shares	(15,794)	(12,671)
Net cash used by financing activities	(465,784)	(262,691)
Net decrease in cash and cash equivalents	(157,406)	(69,200)
Cash and cash equivalents at beginning of year	722,780	791,980
Cash and cash equivalents at end of year	\$ 565,374	\$ 722,780

See accompanying notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

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, 2018. 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.

During the years ended December 31, 2018 and 2017, 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. There is a per occurrence limit of \$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 subsidiaries, Oil Investment Corporation Ltd. ("OICL") and Oil Management Services Ltd. ("OMSL"). OICL was established to hold the Company's investment portfolios and OMSL was established to provide administrative support services to the Company. 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 2018, the Company recorded withdrawal premiums totaling \$nil (2017 – \$nil) which is recorded within accounts receivable in the Consolidated Balance Sheets.

Acquisition costs, consisting primarily of commissions, are charged to income on a pro rata basis over the term of each policy.

(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 and payable 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, 2018 this rate is approximately 2.46% (2017 – 1.98%). Discount accreted on the retrospective premium receivable and payable is recorded in the Consolidated Statement of Operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

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.

(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, 2018, amounted to \$16.6 million (2017 – \$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 ("NAV") 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

(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. The Company invests in fixed income and equity funds. When there is no market price available for the funds on a recognized exchange, the Company values the funds using the net asset values obtained from the investment managers or the administrators of the respective investment funds. These investment entities generally carry their investments at fair value.

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. Securities sold short are recorded as liabilities in the Consolidated Balance Sheet at fair value. 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 (losses) gains on investments in the Consolidated Statement of Operations.

(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, 2018, cash in the amount of \$409.4 million (2017 – \$473.9 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

Effective for the year ended December 31, 2017, the Company adopted FASB ASU No. 2015-09, *Financial Services-Insurance (Topic 944): Disclosures about Short-Duration Contracts*. ASU No. 2015-09 requires significant new disclosures for insurers relating to short-duration insurance contract claims and the unpaid claims liability roll forward for long and short-duration contracts. The guidance requires annual tabular disclosure, on a disaggregated basis, of undiscounted incurred and paid claim and allocated claim adjustment expense development by accident year, net of reinsurance, for up to 10 years. Tables must also include the total incurred but not reported claims liabilities, plus expected development on reported claims, and claims frequency for each accident year. A description of estimation methodologies and any significant changes in methodologies and assumptions used to calculate the liability and frequency is also required. Based on the disaggregated claims information in the tables, disclosure of historical average annual percentage payout of incurred claims is also required. The ASU requires retrospective application by providing comparative disclosures for each period presented, other than those that are only required for the most recent reporting period. These annual disclosures have been included in Note 5.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

3. INVESTMENTS

The fair values of investments as at December 31, 2018 and 2017 are as follows:

	2018 (\$'000)	2017 (\$'000)
Short-term Investments	\$ 619,559	\$ 957,417
Derivatives	(47,567)	(7,346)
Equity securities	1,842,882	2,364,798
Fixed maturities		
US Treasury and Government Agency	346,180	492,405
State and Municipal bonds	28,441	56,903
Non-US Government bonds	440,511	449,958
Supranationals	4,443	4,687
Corporate bonds	1,147,725	761,991
Asset-backed securities	258,367	277,850
Mortgage-backed securities	342,923	291,048
Total fixed maturities	2,568,590	2,334,842
Total investments in marketable securities and derivatives	\$ 4,983,464	\$ 5,649,711
Other investments	\$ 664,859	\$ 733,915

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, 2018, approximately 73% (2017 – 65%) 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, 2018 and 2017, are as follows:

	2018 (\$'000)	2017 (\$'000)
US Government and Agency	\$ 604,526	\$ 998,458
AAA	384,535	424,205
AA	579,652	552,843
A	580,114	531,767
BBB	773,383	543,129
Below BBB	265,939	241,857
Total fixed maturities and short-term investments	\$ 3,188,149	\$ 3,292,259

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, 2018, had an unrealized loss of \$15.1 million (2017 – \$8.4 million gain) at the same date, which has been recorded in the Consolidated Statement of Operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

At December 31, 2017, \$1.8 billion of investments were held in joint custody accounts with Oil Casualty Investment Corporation Ltd., a company affiliated through common shareholders. Under the terms of the joint custody agreement the Company owned 96.1% of each security held in these joint custody accounts. The Company recorded its proportionate share of the investment assets, liabilities, income, net realized and unrealized gains and losses within these Financial Statements.

During the year ended December 31, 2018, the Company separated its joint custody accounts with Oil Casualty Investment Corporation Ltd. At December 31, 2018, no investments were held in joint custody accounts by the Company.

	2018 (\$'000)	2017 (\$'000)
Due in one year or less	\$ 619,559	\$ 957,417
Due after one year through five years	901,665	662,639
Due after five years through ten years	653,949	615,716
Due after ten years	411,686	487,589
	2,586,859	2,723,361
Asset-backed securities	258,367	277,850
Mortgage-backed securities	342,923	291,048
Total fixed maturities and short-term investments	\$ 3,188,149	\$ 3,292,259

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, 2018 and 2017 are as follows:

	2018 (\$'000)	2017 (\$'000)
Gross realized gains on investments	\$ 621,055	\$ 731,208
Gross realized losses on investments	(528,785)	(590,266)
Gross realized gains on derivative instruments	297,620	236,606
Gross realized losses on derivative instruments	(284,083)	(215,544)
Gross realized gains on other investments	7,182	56,614
Gross realized losses on other investments	(2,418)	(115)
Change in net unrealized gains and losses during the year on investments	(398,916)	446,811
Change in net unrealized gains and losses during the year on other investments	(13,525)	(16,100)
Change in net unrealized gains and losses during the year on derivative instruments	(40,220)	(45,687)
Net (losses) gains on investments	\$ (342,090)	\$ 603,527

During the year ended December 31, 2018, 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 \$295.7 million loss (2017 – \$321.0 million gain) and fixed maturities and short-term investments of a \$103.2 million loss (2017 – \$125.8 million gain).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

3. INVESTMENTS (CONTINUED)

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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

- 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 include 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 include 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, 2018, the “fund of funds” portfolio was invested in a variety of strategies, with the common strategies being long/short equity, global macro, event driven, multistrategy and co-investments. One fund of funds in which the Company is invested has daily liquidity. The other fund of funds in which the Company is invested requires at least 65-95 days’ notice of redemption, and may be redeemed on a monthly 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 their governing documents, have the ability to deny or delay a redemption request, called a “gate”. The fund of funds 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 funds. 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 funds, may investors redeem their interest in the side-pocket. As of December 31, 2018, the fair value of hedge funds held in lock ups, side-pockets or gates was \$42.8 million (2017 – \$50.8 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, 2018 or 2017. Hedge fund investments measured at net asset value are not required to be disclosed within the fair value hierarchy.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

3. INVESTMENTS (CONTINUED)

The following tables summarize the levels of inputs used as of December 31, 2018 and 2017, in determining the classification of investment assets and liabilities held at fair value:

December 31, 2018 ASSETS	Level 1 (\$'000)	Level 2 (\$'000)	Level 3 (\$'000)	NAV ¹ (\$'000)	Total (\$'000)
Short-term Investments	\$ 258,345	\$ 361,098	\$ 116	\$ —	\$ 619,559
Derivatives, net	—	(47,567)	—	—	(47,567)
Equity securities	1,756,644	—	—	86,238	1,842,882
US Treasury and Government Agency	346,180	—	—	—	346,180
State and Municipal bonds	—	28,441	—	—	28,441
Non-US Government bonds	—	432,197	—	8,314	440,511
Supranationals	—	4,443	—	—	4,443
Corporate bonds	—	1,100,975	—	46,750	1,147,725
Asset-backed securities	—	258,367	—	—	258,367
Mortgage-backed securities	—	342,923	—	—	342,923
Total investments in marketable securities and derivatives	\$ 2,361,169	\$ 2,480,877	\$ 116	\$ 141,302	\$ 4,983,464
Other investments measured at net asset value ¹					\$ 664,859

December 31, 2018 LIABILITIES	Level 1 (\$'000)	Level 2 (\$'000)	Level 3 (\$'000)	NAV ¹ (\$'000)	Total (\$'000)
Equity securities sold short	\$ (302,165)	\$ —	\$ —	\$ —	\$ (302,165)

December 31, 2017 ASSETS	Level 1 (\$'000)	Level 2 (\$'000)	Level 3 (\$'000)	NAV ¹ (\$'000)	Total (\$'000)
Short-term investments	\$ 506,053	\$ 451,059	\$ 305	\$ —	\$ 957,417
Derivatives, net	—	(7,346)	—	—	(7,346)
Equity securities	2,256,134	—	—	108,664	2,364,798
US Treasury and Government Agency	491,878	527	—	—	492,405
State and Municipal bonds	—	56,903	—	—	56,903
Non-US Government bonds	—	440,694	—	9,264	449,958
Supranationals	—	4,687	—	—	4,687
Corporate bonds	—	713,931	—	48,060	761,991
Asset-backed securities	—	277,850	—	—	277,850
Mortgage-backed securities	—	291,048	—	—	291,048
Total investments in marketable securities and derivatives	\$ 3,254,065	\$ 2,229,353	\$ 305	\$ 165,988	\$ 5,649,711
Other investments measured at net asset value ¹					\$ 733,915

December 31, 2017 LIABILITIES	Level 1 (\$'000)	Level 2 (\$'000)	Level 3 (\$'000)	NAV ¹ (\$'000)	Total (\$'000)
Equity securities sold short	\$ (402,835)	\$ —	\$ —	\$ —	\$ (402,835)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

¹Certain 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. The fair value amounts presented in these tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Consolidated Balance Sheet.

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, 2018 and 2017:

	Short-term Investments (\$'000)	Asset-backed Securities (\$'000)	Total (\$'000)
Beginning balance at January 1, 2018	\$ 305	\$ —	\$ 305
Purchases and issuances	—	—	—
Sales and settlements	(77)	—	(77)
Transfers into Level 3	—	—	—
Transfers out of Level 3	—	—	—
Realized and unrealized gains included in net income for the year	(112)	—	(112)
Ending balance at December 31, 2018	\$ 116	\$ —	\$ 116

	Short-term Investments (\$'000)	Asset-backed Securities (\$'000)	Total (\$'000)
Beginning balance at January 1, 2017	\$ 370	\$ 87	\$ 457
Purchases and issuances	—	—	—
Sales and settlements	(171)	(86)	(257)
Transfers into Level 3	—	—	—
Transfers out of Level 3	—	—	—
Realized and unrealized gains included in net income for the year	106	(1)	105
Ending balance at December 31, 2017	\$ 305	\$ —	\$ 305

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 years ended December 31, 2018 and 2017, there were no transfers in or out of Levels 1, 2 or 3.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

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, 2018 and 2017:

	Derivative Assets	Derivative Liabilities
	2018	2018
	Fair Value (\$'000)	Fair Value (\$'000)
Interest rate swaps	\$ 10,754	\$ 14,056
Credit default swaps	113	2,967
Equity swaps	1,951	20,446
Fixed income and currency options	230	1,486
Forward foreign currency contracts	7,344	15,001
Equity futures	—	7,121
Interest rate futures	12,177	19,059
Total	\$ 32,569	\$ 80,136

	Derivative Assets	Derivative Liabilities
	2017	2017
	Fair Value (\$'000)	Fair Value (\$'000)
Interest rate swaps	\$ 6,442	\$ 11,698
Credit default swaps	—	4,108
Equity swaps	10,680	932
Fixed income and currency options	165	1,203
Forward foreign currency contracts	9,658	18,697
Equity futures	2,219	—
Interest rate futures	4,878	4,750
Total	\$ 34,042	\$ 41,388

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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The tables below show the net gains and losses on the Company's derivative instruments recorded in the net gains (losses) on investments in the Consolidated Statement of Operations during the year ended December 31, 2018 and 2017:

	2018		
	Net realized gains and (losses)	Change in unrealized gains and (losses)	Net gains and (losses)
	(\$'000)	(\$'000)	(\$'000)
Interest rate swaps	\$ (192)	\$ 1,954	\$ 1,762
Credit default swaps	—	1,254	1,254
Equity swaps	601	(28,243)	(27,642)
Fixed income and currency options	2,486	(218)	2,268
Forward foreign currency contracts	25,065	1,382	26,447
Equity futures	(6,309)	(9,340)	(15,649)
Interest rate futures	(8,114)	(7,009)	(15,123)
Total	\$ 13,537	\$ (40,220)	\$ (26,683)

	2017		
	Net realized gains and (losses)	Change in unrealized gains and (losses)	Net gains and (losses)
	(\$'000)	(\$'000)	(\$'000)
Interest rate swaps	\$ 595	\$ 738	\$ 1,333
Credit default swaps	—	(2,882)	(2,882)
Equity swaps	370	2,147	2,517
Fixed income and currency options	1,086	(960)	126
Forward foreign currency contracts	(2,251)	(48,454)	(50,705)
Equity futures	19,408	3,475	22,883
Interest rate futures	1,854	249	2,103
Total	\$ 21,062	\$ (45,687)	\$ (24,625)

(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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

4. COMMITMENTS AND CONTINGENCIES (CONTINUED)

(A) DERIVATIVE INSTRUMENTS (CONTINUED)

(i) FOREIGN CURRENCY EXPOSURE MANAGEMENT (CONTINUED)

At December 31, 2018 and 2017, the Company had the following open forward foreign currency contracts:

Currency	2018		2017	
	Notional receivable (\$'000)	Notional payable (\$'000)	Notional receivable (\$'000)	Notional payable (\$'000)
ARS	3,874	(1,068)	13,912	(536)
AUD	40,802	(41,496)	14,897	(32,628)
BRL	21,275	(28,481)	34,525	(21,441)
CAD	42,203	(68,976)	13,228	(73,567)
CHF	4,556	(8,378)	4,115	(10,359)
CLP	25	—	5,351	(4,924)
CNH	1,077	(4,720)	—	—
CNY	26,261	(20,044)	10,612	(455)
CZK	3,322	(335)	6,416	(1,520)
DKK	23,363	(46,475)	56,595	(101,038)
EUR	397,236	(658,957)	61,236	(350,981)
GBP	20,371	(100,109)	14,790	(103,459)
HKD	—	—	1,321	(7,724)
IDR	3,475	(5,230)	16,264	(10,396)
INR	5,086	(5,259)	31,720	(927)
JPY	12,315	(205,562)	12,331	(283,113)
KRW	5,527	(39,998)	3,903	(47,340)
MXN	14,545	(16,312)	12,075	(16,183)
NOK	21,705	(5,950)	24,341	(1,339)
NZD	4,419	(9,434)	12,103	(5,596)
PLN	5,615	(4,111)	22,167	(28,962)
RUB	15,812	(1,407)	28,900	(6,252)
SEK	21,805	(49,607)	43,356	(38,872)
SGD	672	(283)	3,451	(8,735)
TRY	909	(395)	3,237	(2,338)
TWD	1,841	(3,619)	1,918	(16,542)
USD	1,285,200	(662,416)	1,057,445	(359,942)
ZAR	257	(2,013)	6,134	(6,550)
Other	10,956	(11,526)	19,945	(3,608)
	\$ 1,994,504	\$ (2,002,161)	\$ 1,536,288	\$ (1,545,327)

At December 31, 2018, unrealized gains of \$7.3 million (2017 – \$9.7 million) and unrealized losses of \$15.0 million (2017 – \$18.7 million) on forward foreign currency contracts are included in investments in marketable securities and derivatives in the Consolidated Balance Sheet.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

(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, 2018 and 2017 the contractual values of financial futures contracts are:

	2018		2017	
	Long (\$'000)	Short (\$'000)	Long (\$'000)	Short (\$'000)
Equity index futures contracts	\$ 106,704	\$ —	\$ 130,580	\$ —
Bond and note futures contracts	1,866,916	(2,795,765)	1,653,513	(1,345,917)

The Company had gross gains of \$12.2 million and gross losses of \$26.2 million on open futures contracts for the year ended December 31, 2018 (2017 – gross gains of \$7.1 million and gross losses of \$4.8 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

4. COMMITMENTS AND CONTINGENCIES (CONTINUED)

(A) DERIVATIVE INSTRUMENTS (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, 2018 and 2017 the fair value of open interest rate swap contracts is:

	2018 (\$'000)	2017 (\$'000)
Interest rate swaps, net	\$ (3,302)	\$ (5,256)

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, 2018 and 2017 the fair value of open fixed income and currency option contracts is:

	2018 (\$'000)	2017 (\$'000)
Options purchased	\$ 230	\$ 165
Options written (liability)	(1,486)	(1,203)

Premiums received for open written options as of December 31, 2018, amounted to \$0.6 million (2017 – \$1.5 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

(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 as determined by the investment manager is utilized. Commercial Paper must carry a rating of A2/P2 or better. Commercial paper rated below A1/P1 must not exceed 20% of the market value of the portfolio.

The Company's maximum permitted fixed income investment in any one institution 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. The maximum investment in any outstanding single issue shall not exceed 5% except for the issuers listed above. Commercial Paper shall be exempt from this 5% limit in any outstanding single issue, but still be subject to aggregate issuer limits. The aggregate maximum permitted fixed income investment in any obligations rated A-2, P-2, BBB- or Baa3 or below shall not exceed 5% of the market value of the global fixed income 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, \$354.5 million (2017 – \$465.1 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

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 2018 and 2017 is as follows:

	2018 (\$'000)	2017 (\$'000)
Balance at January 1	\$ 2,242,876	\$ 2,208,092
Incurred losses related to:		
Current year	842,789	538,169
Prior years	(59,515)	(70,622)
Total incurred	783,274	467,547
Paid losses related to:		
Current year	(79,424)	(95,976)
Prior years	(438,391)	(336,787)
Total paid	(517,815)	(432,763)
Balance at December 31	\$ 2,508,335	\$ 2,242,876

The 2018 current year incurred losses of approximately \$842.8 million primarily relate to: (i) case reserves recorded totaling \$621.0 million relating to 21 specific property and pollution incidents incurred during the year; (ii) the establishment of IBNR totaling \$213.1 million for the 2018 underwriting year; and (iii) loss expenses incurred totaling \$8.7 million.

The 2018 reduction in incurred losses for prior years claims of approximately \$59.5 million primarily relates to: (i) a reduction in IBNR relating to prior years of \$344.9 million which is largely due to an increase in case reserves along with favorable adjustments in ultimate loss ratios; offset by (ii) case reserve development totaling \$290.2 million relating to specific property and pollution incidents incurred during prior years due to updated information received from insureds and loss adjusters; and (iii) favorable development on loss expense reserves totaling \$4.8 million.

The 2017 current year incurred losses of approximately \$538.2 million primarily relate to: (i) case reserves recorded totaling \$234.0 million relating to 10 specific property and pollution incidents incurred during the year; (ii) the establishment of IBNR totaling \$296.9 million for the 2017 underwriting year; and (iii) loss expenses incurred totaling \$7.3 million.

The 2017 reduction in incurred losses for prior years claims of approximately \$70.6 million primarily relates to: (i) a reduction in IBNR relating to prior years of \$214.1 million which is largely due to an increase in case reserves along with favorable adjustments in ultimate loss ratios; offset by (ii) case reserve development totaling \$147.1 million relating to specific property and pollution incidents incurred during prior years due to updated information received from insureds and loss adjusters; and (iii) favorable development on loss expense reserves totaling \$3.6 million.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

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.

Short Duration Contract Disclosures

During the year ended December 31, 2017, the Company adopted ASU 2015-09 and has included the required disclosures below. Refer to Note 2(l) for further information.

The Company has disaggregated its information presented in the tables shown on the following page by line of business as appropriate for property and pollution segments, including cumulative incurred and paid losses and allocated loss adjustment expenses, as well as the corresponding amount of IBNR reserves as of December 31, 2018. The level of disaggregation is consistent with how the Company analyzes loss reserves for both internal and external reporting purposes.

Some of the information provided in the following tables is Required Supplementary Information ("RSI") under US GAAP. Therefore it does not form part of these consolidated financial statements. Claims development information for all periods except the current reporting period and any information derived from it, including average annual percentage payout of claims incurred, is considered RSI.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

5. OUTSTANDING LOSSES AND LOSS EXPENSES (CONTINUED)

Property

The property loss development tables have been produced for accident years 2009 through to 2018. For the property segment, the years presented in the tables comprise the majority of the period for which incurred losses typically remain outstanding. The tables below also include claim frequency information, by accident year. The Company defines a single claim incident, per policy, which may include multiple claimants and multiple coverages on a single policy. Claims counts include claims closed without a payment as well as claims where the Company is monitoring to determine if exposure exists, even if a reserve has not been established.

Incurred losses and loss expenses (\$'000)						
Years ended December 31,						
Accident	Unaudited					
Year	2009	2010	2011	2012	2013	2014
2009	\$ 856,174	\$ 1,028,488	\$ 935,400	\$ 918,112	\$ 889,451	\$ 876,484
2010		413,829	495,833	359,575	281,059	273,376
2011			560,444	575,565	541,722	522,282
2012				673,836	567,187	541,291
2013					436,832	280,563
2014						274,205
2015						
2016						
2017						
2018						
Total						

Cumulative paid losses and loss expenses (\$'000)						
Years ended December 31,						
Accident	Unaudited					
Year	2009	2010	2011	2012	2013	2014
2009	\$ 9,200	\$ 671,306	\$ 708,744	\$ 722,328	\$ 784,044	\$ 788,236
2010		64,152	168,500	188,353	228,073	231,375
2011			175,446	303,156	389,247	413,426
2012				138,850	255,613	308,255
2013					47,409	177,220
2014						—
2015						
2016						
2017						
2018						
Total						

Reserves for outstanding losses and loss expenses, before 2009

Reserves for outstanding losses and loss expenses

December 31, 2018

	2015	2016	2017	Audited 2018	Total of IBNR reserves, net of reinsurance	Cumulative reported claims count
\$	809,901	\$ 791,568	\$ 786,817	\$ 785,957	\$ —	46
	266,852	259,867	257,545	250,442	250	24
	515,612	513,047	456,627	446,350	1,336	33
	502,417	453,799	445,968	420,276	2,121	47
	445,193	393,567	389,820	378,039	28,282	31
	139,091	96,407	86,913	83,301	1,074	20
	662,985	556,569	409,511	404,400	7,402	41
		453,464	478,561	490,671	11,134	25
			467,782	444,512	134,501	24
				776,505	159,816	17
				4,480,453		

	2015	2016	2017	Audited 2018
\$	800,010	\$ 785,827	\$ 785,944	\$ 785,957
	236,916	237,013	237,013	250,192
	445,014	445,014	445,014	445,014
	344,201	389,161	406,405	416,992
	206,676	181,285	187,149	349,757
	52,232	64,022	82,227	82,227
	49,950	140,035	314,179	317,120
		1,300	52,275	114,269
			95,011	175,742
				78,819
				3,016,089
				58,825
				1,523,189

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

5. OUTSTANDING LOSSES AND LOSS EXPENSES (CONTINUED)

Pollution

The pollution loss development tables have been produced for accident years 2009 through to 2018. The tables below also include claim frequency information, by accident year. The Company defines a single claim incident, per policy, which may include multiple claimants and multiple coverages on a single policy. Claims counts include claims closed without a payment as well as claims where the Company is monitoring to determine if exposure exists, even if a reserve has not been established.

Incurred losses and loss expenses (\$'000)						
Years ended December 31,						
Accident	Unaudited					
Year	2009	2010	2011	2012	2013	2014
2009	\$ 59,486	\$ 34,543	\$ 28,727	\$ 28,395	\$ 30,145	\$ 29,594
2010		24,873	15,933	14,721	16,198	14,788
2011			23,844	132,860	113,741	112,130
2012				51,458	31,346	28,240
2013					249,848	275,705
2014						50,328
2015						
2016						
2017						
2018						
Total						

Cumulative paid losses and loss expenses (\$'000)						
Years ended December 31,						
Accident	Unaudited					
Year	2009	2010	2011	2012	2013	2014
2009	\$ —	\$ —	\$ 703	\$ 703	\$ 4,044	\$ 4,044
2010		—	—	—	—	—
2011			—	120	86,695	89,695
2012				102	—	—
2013					—	32,176
2014						—
2015						
2016						
2017						
2018						
Total						

Reserves for outstanding losses and loss expenses, before 2009

Reserves for outstanding losses and loss expenses

December 31, 2018

	2015	2016	2017	Audited 2018	Total of IBNR reserves, net of reinsurance	Cumulative reported claims count
\$	17,905	\$ 31,343	\$ 30,347	\$ 28,287	7,832	18
	12,119	11,224	9,925	8,938	8,938	6
	106,394	105,272	103,433	101,907	12,214	18
	23,460	22,238	19,711	17,512	17,512	14
	149,301	148,270	145,641	142,669	22,471	22
	32,847	30,558	28,005	24,968	24,968	12
	115,961	392,403	411,913	388,133	35,871	16
		64,444	53,680	47,867	37,110	10
			63,122	102,113	46,762	11
				57,590	53,299	15
				919,984		

	2015	2016	2017	Audited 2018
\$	4,044	\$ 18,227	\$ 20,241	\$ 20,455
	—	—	—	—
	89,695	89,695	89,695	89,695
	—	—	—	—
	42,214	115,712	116,514	116,514
	—	—	—	—
	—	34,314	107,049	180,292
		—	—	—
			—	27,898
				—
				434,854
				474,470
				959,600

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

5. OUTSTANDING LOSSES AND LOSS EXPENSES (CONTINUED)

Reconciliation of Loss Development Information to the Reserves for Losses and Loss Expenses

The table below reconciles the net incurred and paid loss development tables, by segment, to the Company's outstanding losses and loss expenses in the consolidated balance sheet as at December 31, 2018:

(\$'000s)	December 31, 2018
Outstanding Losses and Loss Expenses	
Property	\$ 1,523,189
Pollution	959,600
Total outstanding losses and loss expenses	2,482,789
Unallocated loss adjustment expenses	25,546
Total outstanding losses and loss expenses	2,508,335

The following table presents supplementary information about average historical claims duration as of December 31, 2018 based on cumulative incurred and paid losses and allocated loss adjustment expenses presented above.

Unaudited	Average Annual Percentage Payout of Incurred Losses by Age (in Years)									
	1	2	3	4	5	6	7	8	9	10
Property	15.6%	36.7%	15.3%	6.8%	5.1%	9.5%	1.0%	(0.6)%	2.6%	0.0%
Pollution	0.1%	6.5%	14.5%	10.1%	2.1%	0.0%	0.0%	16.7%	3.6%	0.8%

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, 2018, the Company has not called the preference shares.

During 2018, the Company repurchased and retired nil (2017 – nil) of the Series A preference shares with a par value of \$1,000 per share. As of December 31, 2018, the Company had 300,000 (2017 – 300,000) of series A preference shares outstanding with a par value of \$1,000 per share.

On February 14, 2019, the Company repurchased 8,750 of the Series A preference shares with a liquidation preference of \$1,000 per share. On February 15, 2019, the Company repurchased 2,000 of the Series A preference shares with a liquidation preference of \$1,000 per share.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

7. COMMON SHARES

	2018	2017
Authorized		
200 Class A shares of par value \$10,000 each	\$ 2,000,000	\$ 2,000,000
Issued and fully paid		
55 (2017 – 54) Class A shares	\$ 550,000	\$ 540,000

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. During the year ended December 31, 2018, the Company declared and paid dividends totaling \$450.0 million (2017 – \$250.0 million) to its common shareholders.

8. RELATED PARTY TRANSACTIONS

- (a) General and administrative expenses represent direct expenditures incurred by the Company and expenses which have been allocated from OMSL.
- (b) Amounts due from and to companies affiliated through common shareholders are unsecured, interest free and repayable on demand. These balances result from transactions conducted in the normal course of business.

9. 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, 2018 and 2017, 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, 2018 and 2017.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

10. 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, 2018 and 2017:

	2018 (\$'000)	2017 (\$'000)
US GAAP shareholders' equity	\$ 3,209,865	\$ 4,351,262
Plus: Theoretical withdrawal premium	1,293,956	832,355
Less: Non-admitted assets	(1,769)	(1,493)
Statutory capital and surplus	\$ 4,502,052	\$ 5,182,124
Minimum required statutory capital and Surplus	\$ 250,834	\$ 224,288

Non-admitted assets for statutory purposes include fixed assets, prepaid assets, and deferred acquisition costs.

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, 2018, the Company has included the discounted value of the TWP from current shareholders that are rated BBB- or higher by Standard and Poor's, totaling \$1.3 billion (2017 – \$0.8 billion), in the calculation of statutory capital and surplus.

The Company is also required to maintain a minimum liquidity ratio whereby the value of its relevant assets is not less than 75% of the amounts of its relevant liabilities. At December 31, 2018 the Company is required to maintain relevant assets of at least \$1.9 billion (2017 – \$1.7 billion). At that date relevant assets are approximately \$7.0 billion (2017 – \$7.4 billion) and the minimum liquidity ratio is therefore met.

11. COMPARATIVE INFORMATION

Certain balances in the 2017 financial statements have been reclassified to conform to the 2018 consolidated financial statement presentation.

12. SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 22, 2019, which is the date the financial statements were issued.

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF DIRECTORS AND SHAREHOLDERS



To the Board of Directors and Shareholders of
Oil Insurance Limited

We have audited the accompanying consolidated financial statements of Oil Insurance Limited and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2018 and 2017, 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 subsidiaries as of December 31, 2018 and 2017, and the results of their operations and their cash flows for the years then ended in accordance with US generally accepted accounting principles.

Other matter

US generally accepted accounting principles require that certain disclosures related to short-duration contracts in Note 5 to the basic consolidated financial statements be presented to supplement the basic consolidated financial statements. Such information, although not a part of the basic consolidated financial statements, is required by the Financial Accounting Standards Board who consider it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The report to the shareholders is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subject to the auditing procedures applied in the audit of consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

KPMG Audit Limited

Chartered Professional Accountants
Hamilton, Bermuda

February 22, 2019

MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

December 31, 2018 and 2017

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 22, 2019

EXECUTIVE STAFF



BERTIL C. OLSSON
President & Chief Executive Officer



MATTHEW PIFER
Senior Vice President
General Counsel & Secretary



GEORGE F. HUTCHINGS
Senior Vice President
& Chief Operating Officer



MARLENE J. CECHINI
Controller & Assistant Secretary



RICKY E. LINES, CFA
Senior Vice President
& Chief Financial Officer



THERESA DUNLOP
Vice President, OIL



ROBERT FOSKEY, FCAS, MAAA
Senior Vice President & Chief Actuary



GAIL MILLER
Vice President
Human Resources & Administration

COMMITTEES OF THE BOARD 2018

EXECUTIVE

Fabrizio Mastrantonio
Theodore Guidry, II
Bertil C. Olsson

AUDIT

Pamela Mihovil
Chair
James D. Lyness
Stephen J. Foster
Robert Harper

COMPENSATION

Theodore Guidry, II
Chair
Stephen J. Foster
Fabrizio Mastrantonio
John Weisner

GOVERNANCE & RECRUITMENT

Gary Maddock
Chair
Pamela Mihovil
Robert Wondolleck

LEGAL COUNSEL

Conyers, Dill & Pearman
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Eversheds Sutherland LLP
The Grace Building
1114 Avenue of the Americas
New York NY 10036-7703
U.S.A.

AUDITORS

KPMG Audit Limited
Crown House
4 Par La Ville Road
Hamilton HM08
Bermuda

BOARD OF DIRECTORS



ROBERTO BENZAN

Director, Corporate Risk Management,
Insurance Enterprise Risk, Loss Control
Engineering
Husky Energy Inc.



PAMELA MIHOVIL

Insurance and Risk Manager
Marathon Oil Company



STEPHEN J. FOSTER

Assistant Treasurer, Risk Management
Anadarko Petroleum Corporation
(Retired)



BERTIL C. OLSSON

President & Chief Executive Officer
Oil Insurance Limited



THEODORE GUIDRY, II

Chair
Senior Vice President,
Business Risk Management
Valero Energy Corporation



LARS G. ØSTEBØ

Vice President – Head of Insurance
Equinor ASA



ROBERT HARPER

Principal, Insurance
BHP Billiton Petroleum (Americas) Inc.



JOHN TALARICO

Director, Corporate Insurance
Hess Corporation



VERONIQUE LEMOUES

Vice President,
Corporate Risk Management &
Insurance
TOTAL, S.A.



JOHN WEISNER

Manager, Corporate Insurance
ConocoPhillips Company



GARY MADDOCK

Director, Risk & Insurance
Noble Energy, Inc.



ROBERT WONDOLLECK

Director, Risk Management & Claims
Chevron Corporation



FABRIZIO MASTRANTONIO

Deputy Chair
Senior Vice President,
Insurance Activities Management
Eni S.p.A.

SUBSIDIARY COMPANIES

OIL MANAGEMENT SERVICES LTD.

DIRECTORS

Roberto Benzan

Theodore Guidry, II

Matthew Pifer

Lars G. Østebø

Ricky E. Lines, CFA

Bertil C. Olsson

Fabrizio Mastrantonio

OFFICERS

Bertil C. Olsson

President & Chief
Executive Officer

Jerry B. Rivers

Senior Vice President,
Oil Casualty Insurance, Ltd.

George F. Hutchings

Senior Vice President,
& Chief Operating Officer,
Oil Insurance Limited

Ricky E. Lines, CFA

Senior Vice President
& Chief Financial Officer

OFFICERS

Robert Foskey

Chief Actuary

Matthew Pifer

Senior Vice President,
General Counsel & Secretary

Marlene J. Cechini

Controller & Assistant Secretary

Gail E.M. Miller, JP

Vice President
Human Resources & Administration

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 Company

Ricky E. Lines, CFA

Senior Vice President & Chief Financial
Officer & Treasurer
Oil Insurance Limited

James D. Lyness

Assistant Treasurer
Chevron Corporation
(Retired)

OFFICERS

Ricky E. Lines, CFA

President & Treasurer

Matthew Pifer

General Counsel & Secretary

Marlene J. Cechini

Controller & Assistant Secretary

Andrew Rossiter

Vice President

SHAREHOLDERS

AUSTRALIA

BHP Petroleum (Americas) Inc.

Santos Ltd.

(Sanro Insurance Pte Ltd.)

Woodside Petroleum Ltd.

(WelCap Insurance Pte Ltd.)

AUSTRIA

OMV AG

BRAZIL

Braskem S.A.

(BM Insurance Company Limited)

CANADA

Canadian Natural Resources Ltd.

(Highwood Limited)

Cenovus Energy Inc.

Husky Energy Inc.

NOVA Chemicals Corporation

(Novalta Insurance Ltd.)

Paramount Resources Ltd.

Suncor Energy Inc.

TransCanada PipeLines Limited

CARIBBEAN

Puerto Rico Electric Power Authority

(PREPA)

CHINA

CNOOC Limited

(ICM Assurance Ltd.)

DENMARK

Ørsted A/S

(DONG Energy A/S)

FRANCE

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 DAC)

NORWAY

Equinor ASA

(Equinor Insurance AS)

Yara International ASA

PORTUGAL

Galp Energia, SGPS, S.A.

(Tagus Re S.A.)

SPAIN

Compañía Española de

Petróleos S.A. (CEPSA)

(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 STATES

Anadarko Petroleum Corporation

Andeavor

Apache Corporation

Arena Energy, LP

Buckeye Partners, L.P.

Chevron Corporation

Chevron Phillips Chemical Company LLC

CITGO Petroleum Corporation

(Trimark Insurance Co., Ltd.)

ConocoPhillips Company

(Sooner Insurance Company)

Delek US Holdings, Inc.

Drummond Company, Inc.

DTE Energy Company

Energy Transfer, LP

Hess Corporation

(Jamestown Insurance Company Limited)

HollyFrontier Corporation

LOOP LLC

Marathon Oil Company

Marathon Petroleum Corporation

Murphy Oil Corporation

Noble Energy, Inc.

Occidental Petroleum Corporation

(Opcal Insurance, Inc.)

Phillips 66 Company

Plains All American Pipeline, L.P.

Sempra Energy

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, 2018.

BHP PETROLEUM (AMERICAS) INC. • SANTOS LTD. • WOODSIDE
PETROLEUM LTD. • OMV AG • BRASKEM S.A. • CANADIAN NATURAL
RESOURCES LTD. • CENOVUS ENERGY INC. • HUSKY ENERGY INC. •
NOVA CHEMICALS CORPORATION • PARAMOUNT RESOURCES LTD.
• SUNCOR ENERGY INC. • TRANSCANADA PIPELINES LIMITED •
PUERTO RICO ELECTRIC POWER AUTHORITY • CNOOC LIMITED
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MOL HUNGARIAN OIL AND GAS PUBLIC LIMITED COMPANY •
ENI S.P.A. • EQUINOR ASA • YARA INTERNATIONAL ASA • GALP
ENERGIA, SGPS, S.A. • COMPAÑÍA ESPAÑOLA DE PETRÓLEOS S.A.
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CHEVRON PHILLIPS CHEMICAL COMPANY LLC • CITGO
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• DELEK US HOLDINGS, INC. • DRUMMOND COMPANY, INC. •
DTE ENERGY COMPANY • ENERGY TRANSFER, LP • HESS
CORPORATION • HOLLYFRONTIER CORPORATION • LOOP
LLC • MARATHON OIL COMPANY • MARATHON PETROLEUM
CORPORATION • MURPHY OIL CORPORATION • NOBLE ENERGY,
INC. • OCCIDENTAL PETROLEUM CORPORATION • PHILLIPS 66
COMPANY • PLAINS ALL AMERICAN PIPELINE, L.P. • SEMPRA ENERGY

• THE SINCLAIR COMPANIES •
THE WILLIAM COMPANIES, INC. •
VALERO ENERGY CORPORATION •
WESTLAKE CHEMICAL CORPORATION

P.O. Box HM 1751
Hamilton HMGX

3 Bermudiana Road
Hamilton HM08

T (441) 295 0905

F (441) 295 0351

OIL.BM



OIL INSURANCE LIMITED
Leaders in Global Energy Insurance