OIL

OIL INSURANCE LIMITED

In Our Members' Words

2011 ANNUAL REPORT

Contents

Insuring over $2 trillion worth of assets worldwide. Providing $300 million in cornerstone capacity. Evolving to meet members' needs.

This is Oil Insurance Limited at 40: *Leaders in Global Energy Insurance.*

Financial Highlights

(Expressed in thousands of U.S. dollars)	**2011**	2010
Premiums Earned	**543,425**	783,688
Net (Loss) Income	**(104,636)**	781,780
Total Assets	**5,746,005**	5,893,800
Shareholders' Equity	**3,033,147**	3,200,635

(Ratios expressed as percentages)		
Loss Ratio	**110.2**	53.9
Expense Ratio	**3.4**	2.0
Combined Ratio	**113.6**	55.9

Message from the President

Robert D. Stauffer

I am extremely pleased to be reporting to you on our results and achievements for 2011 as we celebrate OIL's 40th anniversary in the energy insurance market.

When OIL was founded in 1972, there was little confidence in the insurance industry that the organization would even survive. In an article in the London Times dated February 23rd of that year entitled *Concern as oil firms bypass London insurance market,* the outlook for OIL was decidedly bleak: "OIL is a mutual insurance company and was set up because, according to the oil companies, it was becoming increasingly difficult to obtain what they considered to be satisfactory insurance arrangements… The London market view is that OIL will not be able to cope indefinitely with its insurance load."

Forty years later, that excerpt – and the prediction of a dire and imminent end to OIL's operations – is a distant memory. Not only has OIL survived, but we've delivered and continued to grow and evolve in response to market conditions and our members' needs.

Today's OIL is very different from the organization of 40 years ago, or even 30 years ago, when my association with the company began. Over that time, we've achieved many milestones. For instance, our globally insured assets surpassed the $2 trillion mark and we have paid over $12 billion in claims to our members. Our financial ratings remain strong and we have over $5.7 billion in assets and $3 billion in shareholders' equity.

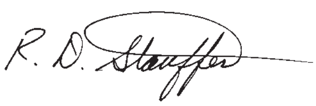
While these figures represent an important facet of our success, they are also notable because they are proof of the faith OIL members have in the organization, and the value they gain from membership. Listening to, and addressing, our members' needs has always been an integral part of our operating philosophy, and that is what has prompted the changes over the years to OIL's limits and the coverage we provide. Whether we're dealing with the ramifications from the hurricanes of 2005 and 2008, or the significant losses that global energy companies experience from time to time, our goal is to continue providing the coverage our members need.

Putting our members first has remained our priority since inception and has resulted in the creation of a unique value proposition for our members. As one of our founding members recently stated: "We have benefited tremendously from the broad coverage and significant limits afforded by OIL over this 40-year period. OIL has historically been and remains today the cornerstone of our property, control-of-well/redrill, and non-gradual pollution coverage. Overall, we are very pleased with the partnership we have with OIL and would not hesitate to recommend OIL to others."

OIL's results and accomplishments through 2011 were notable for a number of reasons. In the pages ahead, you'll learn more about the changes we made to our coverage limits and windstorm procedures over the past year, as well as the ways we've continued to refine our programs in response to members' requirements. In addition, you will read about our ongoing marketing efforts as we focus on expanding our membership base and spreading the word about the value companies can realize through membership in OIL. Becoming a member of OIL continues to be a wise choice for companies that are seeking a stable, long-term relationship with their insurer. Our goal is to continue to offer one of the largest and broadest blocks of capacity available to the energy industry today, and to work with our members going forward in accommodating their insurance needs.

Going forward, OIL intends to stay true to our ongoing commitment to our members – to evolve in response to their needs. We will continue to grow with our membership, to accommodate the emerging technologies they are adopting, and to help them meet and overcome any challenges they may face along the way.

Our successes of 2011 – and indeed those of the past 40 years – would not have been possible without the commitment and dedication of our Board, members, employees, and management team. Thank you for your ongoing support and loyalty. Here's to another 40 years of proving the industry pundits wrong!



Robert D. Stauffer
President & Chief Executive Officer

TRYGVE IMSLAND

Vice President –
Head of Insurance

Statoil

Member since 1993

For Statoil, the most significant benefit of membership in OIL is that the company is always there with a big block of capacity when new assets come on risk – or a new drilling license is required. We value the automatic global drilling coverage that is available through OIL and appreciate not having to provide a new declaration for each and every country location that Statoil operates in.

PHILIP G. JOHNSON

Head of Insurable Risk

BG Group

Member since 2003

BG joined OIL in 2003 as we had significant assets to insure that were difficult to purchase coverage for through the traditional commercial markets. We needed continuity and stability in our global program as we expanded internationally and partnered in major projects, and that's precisely what OIL provided. OIL's capacity has continued to rise in alignment with our annual capacity needs.

Though I've seen many changes over the years, perhaps the biggest was in the way OIL responded to the large hurricane losses of 2005 and 2008. The company absorbed significant pain with roughly $2.5 billion in losses which resulted in a member assessment to accelerate premium recoveries. After many hours of work and debate, we agreed on a course of action without withdrawing needed coverage. Working together to respond and evolve as circumstances change is a practice which continues today.

My being a director at OIL has helped my company significantly in understanding the mutual concept and OIL. It also enhances company value in being an industry decision maker in the field of risk finance. I would encourage members to consider the benefits of working closely with the organization.

JAMES D. LYNESS

Assistant Treasurer – Insurance

Chevron

Member since 2002
(under current name)

OIL is an integral part of our insurance program. Its broad and stable coverage makes OIL a key element in building sufficient and meaningful insured limits, and typically does not restrict simply because of unfavorable market events. As a member-focused mutual, OIL responds to members' concerns and makes decisions based on what is best for the shareholder body and not on what drives profits. Also, being a member of OIL provides the opportunity to network with others who share similar insurance needs.

GREGORY J. LASALLE

Director – Property Insurance
Occidental Petroleum
Member since 1979

Membership in OIL offers a number of benefits, including the ability to acquire a significant limit of extremely broad coverage at a very attractive price, as well as having a venue where energy industry issues can be discussed among peers. Because it is a mutual, there is a shared interest and sense of ownership which fosters a desire to work together for the common good of the organization. Over the years, there has been a significant improvement in the transparency of the organization and in the level of management's expertise, professionalism, and responsiveness to members' needs. For instance, within a month of the tragic Piper Alpha platform loss, OIL took the unprecedented step of advancing our company two very large claim payments which were instrumental in solving our immediate cash flow problems.

Operational Review

George F. Hutchings

As Robert Stauffer, OIL's President & CEO, points out in his Annual Report message, when it was first established in 1972, OIL was not expected to "cope" for long in the insurance market. Of course, the fact that our organization is now celebrating its 40th anniversary happily puts an end to that early speculation. But what is the secret to OIL's success? How have we managed to hone our value proposition and remain relevant over the decades?

The answer can be found in the quote from one of OIL's members, above. Simply put, we listen to our members. We work to understand their needs. And we continually evaluate and re-evaluate our programs to ensure those needs are being met. Our unwavering commitment to this strategy has served OIL well over the past 40 years. Responding to members' needs remained our focus through 2011 as we increased our coverage limits and expanded our marketing efforts.

Extending limits

From an operational perspective, one of our principal objectives over the past year was to assess our product offering with a view to determining whether it continued to meet the needs of our members. We conducted a survey of our membership at the end of 2010 and the beginning of 2011, and the results confirmed that our membership believed higher limits were warranted given the increased investment activities in the energy sector.

Consequently, we decided that to remain relevant we would increase our policy limit for non-windstorm events from $250 million to $300 million per occurrence – one of the largest blocks of capacity provided by an insurance company worldwide. This increase in capacity is particularly significant because it occurred post-Macondo, at a time when most carriers were either cutting back their limits or restricting terms. It also speaks to the legwork and analysis done beforehand to ensure the company was sufficiently healthy from a capital perspective to make this move.

At the same time, the aggregation limit for all OIL members combined for non-Atlantic named windstorm losses was increased from $750 million to $900 million. Both of these changes were approved by OIL shareholders at a Special General Meeting in September 2011 and went into effect on January 1, 2012. Neither Atlantic-named windstorm capacity nor aggregates were increased which continued to minimize the chance of an outsized windstorm-related loss to the membership.

Focus on marketing

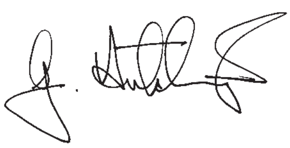
In further response to members' input, OIL's marketing efforts shifted into high gear in 2011 as we worked to attract and welcome new members to the organization. Through the past year, we launched a number of significant marketing initiatives.

One of OIL's priorities was to reach out to the brokerage community and strengthen our relationship with brokers. It's important for brokers to develop a solid understanding of OIL's structure, programs, and unique value proposition so they are well-positioned to present OIL's benefits to their clients. By focusing on educating the energy broker network, we are aiming to generate additional interest in OIL to expand our global membership base.

Another aspect of our marketing efforts was the development of a series of improved marketing materials. This new 'toolbox' of resources is helping to build the momentum of awareness about OIL in the marketplace through strategic positioning and enhanced communications.

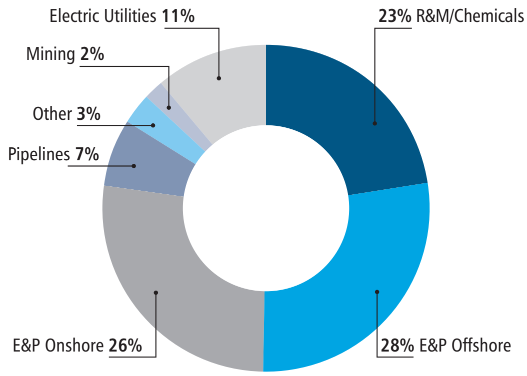
OIL's ability to attract new members and keep a diversified pool of mutuality in existence is key to our continued long-term success. Our marketing tactics in this area are already yielding results. In May 2011, OIL was very pleased to welcome two new members to the organization: Buckeye Partners, a pipeline and terminal company based in the U.S., and The Williams Companies, an energy infrastructure company also headquartered in the U.S. A current member, Marathon Oil, split its operations in two, which resulted in Marathon Petroleum becoming OIL's third new member in June 2011.

Throughout the past year, we've succeeded in achieving our main objective: to remain a robust mutual that can deliver longevity and a value proposition that continues to evolve in conjunction with members' needs.

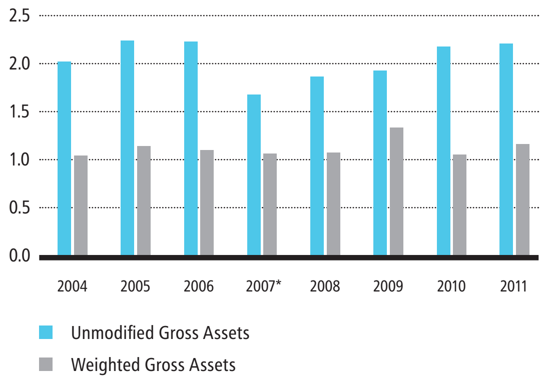


George F. Hutchings
Senior Vice President & Chief Operating Officer

UNMODIFIED GROSS ASSETS BY INDUSTRY SECTOR
at December 31, 2011



GROSS ASSETS INSURED
(expressed in trillions of U.S. dollars)



*2007 was a split policy year.

JAMES F. HUGHES, III

Corporate Insurance Manager

ConocoPhillips

Member since 1972

ConocoPhillips' heritage companies were original shareholders of OIL. It is a testimony to the OIL founders' vision and the strength of this unique mutual when very few energy insurance entities in business in 1972 are still around today.

ANDRE LEVEY

Group Insurance Manager
Santos
Member since 2003

Santos had been a member of OIL since 2003. We count on OIL to help anchor our growing risk financing needs as we work to become a leading Asian energy producer. OIL's $300 million capacity is the foundation block of our global insurance program, specifically in the areas of onshore and offshore property, control of well, and terrorism. We particularly value OIL's pragmatic approach to claim resolution, including the swift response time and focusing on the core areas of dispute to resolve the claim as rapidly as possible. In addition, the collegial atmosphere among shareholders provides an excellent opportunity to share experiences and glean knowledge and advice from individuals who have dealt with specific issues and challenges before.

JOHN W. DUMAS

Director – Corporate Insurance

Murphy Oil

Member since 1972

I am very proud that Murphy Oil Corporation is one of the 16 original founding member companies of OIL. Murphy has benefited tremendously from the broad coverage and significant limits afforded by OIL over this 40-year period. OIL has historically been and remains today the cornerstone of our property, control-of-well/redrill, and sudden and accidental pollution coverages. The per occurrence limit which OIL offers has grown over time and is now up to $300 million. Importantly, the fact that we are an OIL insured enables us to access significant additional capacity on following form terms. In addition, one of the measures of an insurer's quality is its claims handling performance. Without question, it has been our experience that OIL excels in this critically important area. Overall, we are very pleased with the partnership we have with OIL and would not hesitate to recommend OIL to others.

GERARD E. MODECKI

Assistant Treasurer
& Insurance Director

Marathon Oil

Member since 1972

OIL is not that different today than it was in 1972 when Marathon Oil was one of the founding companies. In 2012, OIL is bigger and more diverse, but nevertheless is a large mutual insurer with the single largest block of limits ($300M) with the broadest coverage (seven covers in one policy) and the best claims paying record in the business.

OIL has always been fair and equitable. We've never considered arbitration due to OIL's positive approach to paying claims. For example, in 1987, Marathon had a significant platform explosion and fire that melted the platform to the waterline, then a serious refinery accident that resulted in a release into the air. OIL stepped up immediately in both losses, and promptly paid Marathon.

OIL was, is, and always will be Marathon's primary insurance in the towers of coverage we build for global risks.

Financial and Investment Review

Ricky E. Lines

OIL's overriding goal over the last 40 years has been to provide our members with a reliable and efficient source of insurance capacity. Major events occurred in both insurance and investment markets in 2011, yet throughout the year OIL maintained its strong financial position, enabling continued fulfillment of this goal. OIL's continued financial strength was recognized by the rating agencies, as Standard & Poor's and Moody's reaffirmed ratings at 'A-' (stable outlook) and 'A2' (stable outlook) respectively.

Following $1.4 billion of claim payments in 2010, OIL paid out an additional $629 million of claim payments in 2011, leaving $5.7 billion in assets and $3.0 billion of shareholders' equity at year-end. For the year ended December 31, 2011, OIL reported a net loss of $105 million which was comprised of a $55 million underwriting loss, a $32 million investment loss, and $18 million in general and administrative expenses. In 2011, net premiums written and earned were $543 million, with loss and loss expenses of $599 million.

In a year where global economies and financial markets experienced significant swings, objectives for OIL's financial assets remained steadfast: to provide liquidity to meet obligations to shareholders, while seeking to preserve and enhance the value of those assets over the long term. The company's diversified investment portfolio achieved these objectives, with OIL's total cash and invested assets recording a -1% return for the year.

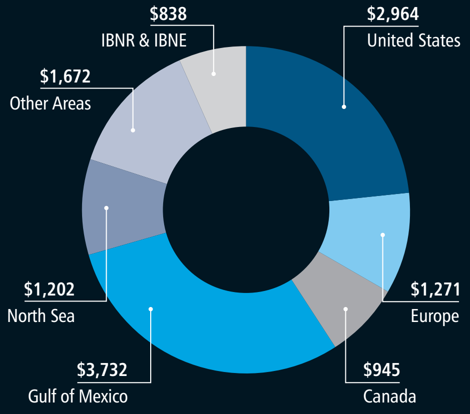
In 2011, the global economy and financial markets started the year positively; then tragic events in Japan and deepening concerns about sovereign and Eurozone debt increased uncertainty about global growth, which resulted in a shift in market focus for investors from growth to safety. Throughout this period, OIL maintained a well-diversified portfolio of assets and invested to achieve its long-term objectives. At December 31, 2011, OIL's investment allocation was comprised of 11% cash and short duration bonds, 48% global bonds, 10% funds of hedge funds, and 31% global equities. Our investment strategy remains focused toward achieving OIL's long-term investment objectives.

OIL's investment portfolio has generated significant returns over the past 40 years, which have in turn bolstered OIL's capital base ensuring a reliable and efficient source of insurance capacity for our members.

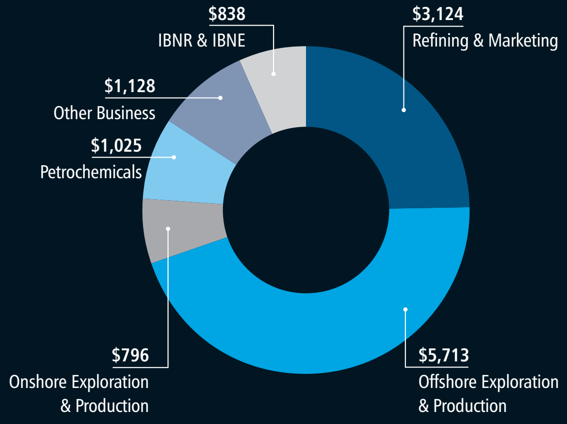
OIL's financial and investment accomplishments were achievable in large part due to the hard work and perseverance of our employees, management team, and Board. Managing the expanding reporting requirements of auditors, rating agencies, and regulators is an increasing responsibility and our finance and investment team has risen to the challenge. Thank you for your diligence and hard work.

Ricky E. Lines
Senior Vice President & Chief Financial Officer

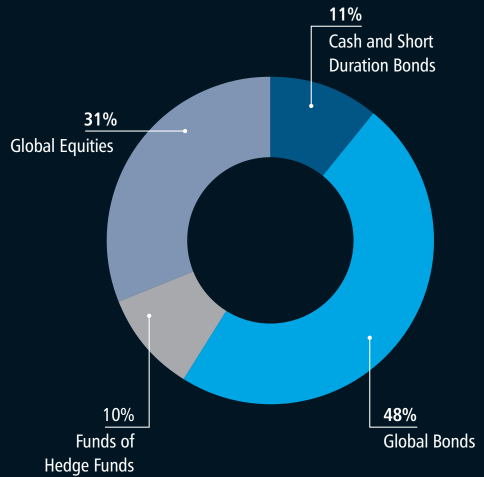
NET INCURRED LOSSES
BY GEOGRAPHIC REGION (1972 - 2011)
(expressed in millions of U.S. dollars)



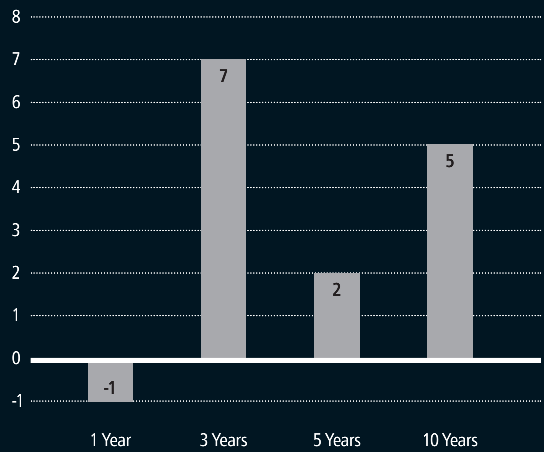
NET INCURRED LOSSES
BY INDUSTRY SECTOR (1972 - 2011)
(expressed in millions of U.S. dollars)



ASSET ALLOCATION
at December 31, 2011



OIL TOTAL ANNUALIZED INVESTMENT RETURNS
for the periods ending December 31, 2011
(expressed in percentage returns)



DAMIEN GARE

Group Manager Risk and Insurance

Woodside Petroleum

Member since 2003

The breadth of OIL's product offering is tailored to meeting the specialised risks faced by companies participating in today's energy industry. It is an important part of the toolbox of mechanisms available for managing risk well. As a mutual, OIL has demonstrated the ability to improve its product to meet the changing needs of its members, as industry conditions develop. Woodside's membership of OIL is a central part of Woodside's overall risk program.

MIGUEL LUQUE HERRAN

Director of Insurance

Repsol

Member since 1973

Repsol YPF is an integrated oil company that was set up 25 years ago. Since then, our company has grown and diversified to the point that Repsol has become one of the largest global energy companies with operations in more than 40 countries. Our business is engaged in nearly all facets of energy development, production, and distribution. Through some of these years, OIL has been a key insurance partner. Today, we continue to value our OIL membership and the stability that it brings to our significant global insurance program.

The original mutual mandate and mission to share and spread the risk created by the founding OIL companies remains relevant today for Repsol as we continue to seek significant, broad global coverage for our property assets on a worldwide basis.

ROBERTO BENZAN

Manager, Corporate Risk
Management Insurance,
Enterprise Risk,
Loss Control Engineering

Husky Energy

Member since 1986

Oil Insurance Limited is valued for the strong, stable, and reliable foundation that it provides to our risk transfer process. Its capacity and broad coverage enables us to structure an insurance program as part of our effective risk management process.

One of the major benefits of the OIL coverage is that it is non-judgmental and indiscriminate in that it applies to all of our assets and is not subject to the volatility we commonly see in the commercial market. OIL provides coverage regardless of the latest headlines or incidents on a global basis.

THEODORE GUIDRY II

Senior Vice President – Business Risk Management

Valero Energy

Member since 1987

OIL has offered great value to Valero over the years. OIL has provided a stable block of insurance that anchors our property program and has allowed us the option to complete many capital projects without obtaining risk insurance. It has also been a very competitive option to commercial market insurance and a core building block for the rest of our placement. One reason we use OIL is the flexible nature of the coverage elections that allows us to select the right profile for our needs.

The recent increase in per occurrence and aggregate limits were welcome changes, especially since we're a large purchaser of limits. As the Risk Manager for my company, I am also pleased with other changes that help quantify the amount of recovery that can be expected – uncertainty is not good when a claim arises.

Overall, OIL has shown that it is about meeting the needs of its members, and all the changes over the years point to a concerned partner on our insurance program.

Financial Section

Contents

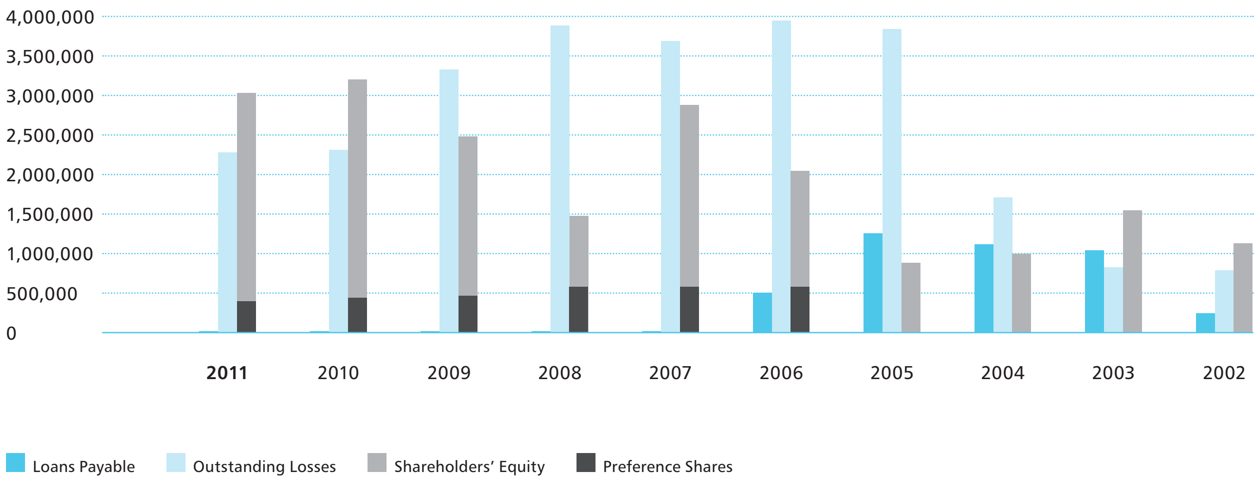
Ten-Year Summary

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

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Premiums Earned	**543,425**	783,688	891,115	718,586	1,016,819	1,197,330	2,620,806	442,835	422,177	184,757
Net Income (Loss)	**(104,636)**	781,780	1,100,270	(1,359,879)	875,730	607,451	(118,478)	(548,410)	419,970	(210,312)
Financial Condition										
Total Assets	**5,746,005**	5,893,800	6,068,091	6,369,097	7,303,769	7,877,741	6,607,069	4,425,410	3,734,896	2,411,623
Shareholders' Equity	**3,033,147**	3,200,635	2,481,884	1,471,395	2,876,662	2,046,297	875,929	994,387	1,542,807	1,122,787
Ratios										
Loss Ratio	**110.2%**	53.9%	58.2%	134.9%	52.9%	82.5%	106.6%	273.5%	79.9%	150.7%
Expense Ratio	**3.4%**	2.0%	3.5%	3.7%	3.0%	2.6%	2.5%	5.2%	4.1%	5.7%
Combined Ratio	**113.6%**	55.9%	61.7%	138.6%	55.9%	85.1%	109.1%	278.7%	84.0%	156.4%

Summary of Total Liabilities & Shareholders' Equity

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



Consolidated Balance Sheets

December 31, 2011 and 2010 (Expressed in Thousands of United States Dollars)

	2011	2010
Assets		
Cash and cash equivalents (Notes 2(m), 4(b) and 12)	$ 282,441	$ 249,580
Investments in marketable securities and derivatives (Notes 3, 4 and 12)	5,255,944	5,296,317
Investment sales pending settlement	82,853	122,906
Accrued investment income	30,220	29,812
Amounts due from affiliates (Note 9(b))	59	87
Retrospective premiums receivable (Note 2(d))	91,741	154,603
Accounts receivable (Note 2(c))	22	37,708
Other assets	2,725	2,787
Total assets	$ 5,746,005	$ 5,893,800
Liabilities		
Outstanding losses and loss expenses (Note 5)	$ 2,280,278	$ 2,309,945
Retrospective premiums payable (Note 2(d))	1,313	5,538
Premiums received in advance	22,666	63,386
Securities sold short (Notes 2(l), 3 and 4)	116,433	111,623
Investment purchases pending settlement	285,023	196,479
Amounts due to affiliates (Note 9(b))	1,523	1,052
Accounts payable	5,622	5,142
Total liabilities	2,712,858	2,693,165
Shareholders' equity		
Preferred shares (Note 6)	402,458	443,835
Common shares (Note 8)	520	540
Retained earnings	2,630,169	2,756,260
Total shareholders' equity	3,033,147	3,200,635
Total liabilities and shareholders' equity	$ 5,746,005	$ 5,893,800

See accompanying notes to consolidated financial statements

Consolidated Statements of Operations

Years Ended December 31, 2011 and 2010 (Expressed in Thousands of United States Dollars)

	2011	2010
Premiums written (Note 2(c))	$ 558,141	$ 724,413
Retrospective premiums (Note 2(d))	(14,716)	59,275
Premiums written and earned	543,425	783,688
Discount earned on retrospective premiums receivable (Note 2(d))	1,062	802
Losses and loss expenses incurred (Note 5)	(599,109)	(422,732)
Acquisition costs	(323)	—
Net underwriting (loss) income	(54,945)	361,758
Interest income	103,667	107,130
Net (losses) gains on investments (Note 3)	(143,904)	329,355
Dividend income	31,807	23,463
Investment advisory and custodian fees	(22,619)	(24,031)
Interest expense and financing costs	(787)	(215)
Net investment (loss) income	(31,836)	435,702
General and administrative expenses (Note 9(a))	(17,855)	(15,680)
Net (loss) income	$ (104,636)	$ 781,780

See accompanying notes to consolidated financial statements

Consolidated Statements of Changes in Shareholders' Equity

Years Ended December 31, 2011 and 2010 (Expressed in Thousands of United States Dollars)

	Preferred shares	Common shares: Number of shares	Common shares: Amount	Retained earnings	Total
Balance at December 31, 2009	$ 474,625	56	$ 560	$ 2,006,699	$ 2,481,884
Shares redeemed in year	—	(2)	(20)	—	(20)
Net income	—	—	—	781,780	781,780
Preferred share repurchase	(30,790)	—	—	—	(30,790)
Gain on preferred share repurchase	—	—	—	2,323	2,323
Dividends paid on preferred shares	—	—	—	(34,542)	(34,542)
Balance at December 31, 2010	$ 443,835	54	$ 540	$ 2,756,260	$ 3,200,635
Shares issued in year	—	3	30	—	30
Shares redeemed in year	—	(5)	(50)	—	(50)
Net loss	—	—	—	(104,636)	(104,636)
Preferred share repurchase	(41,377)	—	—	—	(41,377)
Gain on preferred share repurchase	—	—	—	3,060	3,060
Dividends paid on preferred shares	—	—	—	(24,515)	(24,515)
Balance at December 31, 2011	$ 402,458	52	$ 520	$ 2,630,169	$ 3,033,147

See accompanying notes to consolidated financial statements

Consolidated Statements of Cash Flows

Years Ended December 31, 2011 and 2010 (Expressed in Thousands of United States Dollars)

	2011	2010
Cash flows from operating activities		
Net (loss) income	$ (104,636)	$ 781,780
Adjustments to reconcile net (loss) income to net cash provided (used) by operating activities:		
Net losses (gains) on investments	143,904	(329,355)
Accrued investment income	(408)	(148)
Amounts due from affiliates	28	(3)
Retrospective premiums receivable	62,862	(19,879)
Accounts receivable	37,686	(16,729)
Other assets	62	(315)
Outstanding losses and loss expenses	(29,667)	(1,021,336)
Retrospective premiums payable	(4,225)	(30,834)
Premiums received in advance	(40,720)	63,386
Amounts due to affiliates	471	166
Accounts payable	480	(150)
Proceeds from the sale of investments (Note 12)	7,915,727	9,218,148
Purchase of investments (Note 12)	(7,887,494)	(8,901,768)
Proceeds from the sale of securities sold short (Note 12)	397,751	881,548
Purchase of securities sold short (Note 12)	(396,108)	(873,509)
Net cash provided (used) by operating activities	95,713	(248,998)
Cash flows from financing activities		
Repurchase of preferred shares, net of issuance costs	(38,317)	(28,467)
Repurchase of common shares, net	(20)	(20)
Dividends paid on preferred shares	(24,515)	(34,542)
Net cash used by financing activities	(62,852)	(63,029)
Net increase (decrease) in cash and cash equivalents	32,861	(312,027)
Cash and cash equivalents at beginning of year (Note 12)	249,580	561,607
Cash and cash equivalents at end of year (Note 12)	$ 282,441	$ 249,580

See accompanying notes to consolidated financial statements

Notes to Consolidated Financial Statements

December 31, 2011 and 2010

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 52 companies (as at December 31, 2011). 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.

Coverage provided to each insured is limited to $250 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 $750 million (2010 - $750 million). Effective January 1, 2012, the Company increased its per occurrence and aggregation limit for non-Atlantic Named Windstorm events to $300 million and $900 million, respectively.

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

2. Summary of significant accounting policies

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

(a) Recent Accounting Pronouncements

In January 2010, the FASB issued Accounting Standards Update No. 2010-06, "Fair Value Measurements and Disclosures (Topic 820) – Improving Disclosures about Fair Value Measurements" ("ASU 2010-06"). This update requires additional disclosures about fair value measurements, including disclosures regarding (i) the amounts and reasons for significant transfers in and out of Level 1 and 2 fair value measurements and separate presentation of purchases, sales, issuances and settlements of items measured using significant unobservable inputs, as previously disclosed for Level 3, (ii) inputs and valuation techniques used to measure fair value for financial assets and liabilities that fall in either Level 2 or Level 3, (iii) the activity within Level 3 fair value measurements, and (iv) disaggregation of financial assets and liabilities measured at fair value into classes of financial assets and liabilities. The requirements were effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosure about purchases, sales, issuances and settlements which is effective for fiscal years beginning after December 15, 2010 and for interim periods within those fiscal years. The Company adopted ASU 2010-06 as of January 1, 2010.

(b) Principles of consolidation

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

(c) *Premiums and acquisition costs*

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

In 2011, the Company recorded withdrawal premiums totaling $Nil (2010 - $37,692,949) due from members who elected to withdraw and redeem their shares in the Company. Under the terms of the Rating and Premium Plan, all members are charged a withdrawal premium upon their withdrawal from the Company.

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

(d) *Retrospective premiums*

Certain of the Company's insurance policies provide for the receipt of retrospective premiums relating to losses incurred by its insureds, with such payments being receivable over a five year period. Retrospective premiums are recognized as premiums written and earned in the Consolidated Statement of Operations in the year in which the loss is incurred and are adjusted periodically in accordance with changes in the estimates of underlying losses. Retrospective premiums receivable are non-interest bearing and, accordingly, are discounted at prevailing interest rates and this discount is accreted over the collection period. For the year ended December 31, 2011 this rate is approximately 0.36% (2010 - 1.02%). Discount accreted on the retrospective premium receivable is recorded in the Consolidated Statement of Operations.

(e) *Outstanding losses and loss expenses*

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

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

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

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

Notes to Consolidated Financial Statements

December 31, 2011 and 2010

2. Summary of significant accounting policies (continued)

(f) Subrogation recoveries

In the normal course of business the Company pursues recovery of certain losses through subrogation claims. Subrogation proceeds are recorded as a reduction of losses incurred in the year in which agreement of the recovery is determined. Subrogation recoveries for the year amounted to $23.1 million (2010 – $4.2 million).

(g) Investments and investment income

Investments are classified as trading and are carried in the Consolidated Balance Sheet at fair value. Realized and unrealized gains and losses are included in the Consolidated Statement of Operations. Security transactions are accounted for on a trade date basis with investment purchases and sales pending settlement accrued in the Consolidated Balance Sheet. Investments in hedge funds and fund of funds are carried at their net asset value as reported by their investment managers or third party administrators. The change in the net asset 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 their date of issue.

(h) 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 Note 3).

(i) Deferred debt issuance costs

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

(j) 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.

(k) *Fair value of financial instruments*

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

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

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

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

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

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

(l) *Short selling*

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

(m) *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, 2011, cash in the amount of $15,110,061 (2010 - $119,341,953) was on deposit with counterparties as collateral for securities sold short and positions held in derivative financial instruments (Note 4).

Notes to Consolidated Financial Statements

December 31, 2011 and 2010

3. Investments

The fair values of investments as at December 31, 2011 and 2010 are as follows:

	2011 ($'000)	2010 ($'000)
Short Term Investments	**367,362**	513,637
Derivatives	**23,252**	26,490
Equity Securities	**1,560,255**	1,717,642
Hedge Fund Investments	**546,974**	494,809
Fixed Maturities		
US Treasury and Government Agency	**119,673**	177,812
State and Municipal Bonds	**53,181**	31,398
Non-US Government Bonds	**686,214**	574,215
Supranationals	**62,685**	34,796
Corporate Bonds	**1,118,756**	1,123,766
Asset Backed Securities	**190,039**	108,155
Mortgage-Backed Securities	**527,553**	493,597
Total Fixed Maturities	**2,758,101**	2,543,739
Total Investments in Marketable Securities and Derivatives	**5,255,944**	5,296,317

In the above table mortgage-backed securities issued by US government agencies are combined with other mortgage-backed securities held and are included in the category "Mortgage-Backed Securities". Approximately 62% (2010 - 43%) of the total mortgage-backed holdings at December 31, 2011 are represented by investments in GNMA, FNMA and FHLMC securities. The remainder of the mortgage exposure consists of collateralized mortgage obligations and non-government issued securities, the majority of which have investment grade credit ratings.

At December 31, 2011, residential mortgage-backed securities, asset-backed securities and collateralized mortgage obligations with exposure to subprime and Alt-A borrowers totaled $63,285,185 (2010 - $104,624,930) in fair value. These securities had an unrealized loss of $10,188,962 (2010 - $3,802,271) at the same date, which has been recorded in the Consolidated Statement of Operations.

At December 31, 2011, Fixed Maturities and Short Term Investments with credit ratings below investment grade had a fair value of $257,800,624 (2010 - $230,072,441), using the lower rating as determined by Standard & Poor's and Moody's Investors Services. These securities had an unrealized loss of $15,800,120 (2010 - $7,673,705) at the same date, which has been recorded in the Consolidated Statement of Operations.

The Company invests in hedge "fund of funds" which invest in a number of underlying funds, following a variety of investment strategies.

At December 31, 2011, $2,020,473,601 (2010 - $2,255,184,082) of investments are held in joint custody accounts with Oil Casualty Investment Corporation Ltd., a company affiliated through common ownership. Under the terms of the joint custody agreement the Company owns 93.0% (2010 - 93.3%) of each security held in these joint custody accounts. The Company records its proportionate share of the investment assets, liabilities, income, net realized and unrealized gains and losses within these Consolidated Financial Statements.

The gross realized gains and gross realized losses on investments and the change in unrealized gains and losses for the years ended December 31, 2011 and 2010 are as follows:

	2011 ($'000)	**2010 ($'000)**
Gross realized gains on investments	$ 1,270,042	350,785
Gross realized losses on investments	(1,131,050)	(276,200)
Gross realized gains on derivative instruments	570,438	665,050
Gross realized losses on derivative instruments	(545,453)	(582,858)
Change in net unrealized gains and losses during the year on investments	(304,643)	226,760
Change in net unrealized gains and losses during the year on derivative instruments	(3,238)	(54,182)
Net (losses) gains on investments	(143,904)	329,355

During the year ended December 31, 2011, the change in unrealized gains and losses on investments was attributable to movements in the fair value of the Company's equity securities, hedge fund investments and fixed maturities of $252,708,033 loss (2010 - $135,125,385 gain), $13,735,442 loss (2010 - $34,919,332 gain) and $38,199,304 loss (2010 - $56,715,586 gain), respectively.

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

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

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

Notes to Consolidated Financial Statements

December 31, 2011 and 2010

3. Investments (continued)

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

Assets and liabilities measured at fair value on a recurring basis and classified as Level 3 include distressed debt instruments. Distressed debt instruments are thinly traded and difficult to value. Their fair values are estimated using internally generated valuation models that have been developed by the Company's investment managers and reputable third party pricing sources.

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.

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

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

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

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

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

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

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

The fair values of the Company's interests in hedge fund investments are based upon the Net Asset Values of the underlying investment funds as reported by the investment managers, or their independent administrators. Depending on the Company's ability to redeem its hedge fund investments at the reported net asset value per share (or its equivalent) within a reasonable period of time, the hedge fund investment will be categorized within Level 2 or Level 3 of 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, 2011 and 2010

3. Investments (continued)

The following tables summarize the inputs used as of December 31, 2011 and 2010, in determining the classification of investment assets and liabilities held at fair value:

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

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

December 31, 2010 Assets	Level 1 ($'000)	Level 2 ($'000)	Level 3 ($'000)	Total ($'000)
Short Term Investments	144,887	363,504	5,246	513,637
Derivatives, net	—	26,490	—	26,490
Equity Securities	1,717,642	—	—	1,717,642
Hedge Fund Investments	—	309,917	184,892	494,809
US Treasury and Government Agency	177,812	—	—	177,812
State and Municipal Bonds	—	31,398	—	31,398
Non-US Government Bonds	—	574,215	—	574,215
Supranationals	—	34,796	—	34,796
Corporate Bonds	—	1,118,877	4,889	1,123,766
Asset Backed Securities	—	108,134	21	108,155
Mortgage-Backed Securities	—	493,597	—	493,597
Total	2,040,341	3,060,928	195,048	5,296,317

December 31, 2010 Liabilities	Level 1 ($'000)	Level 2 ($'000)	Level 3 ($'000)	Total ($'000)
Equity Securities sold short	111,623	—	—	111,623
Total	111,623	—	—	111,623

The following tables present the reconciliation of the beginning and ending fair value measurements of the Company's Level 3 assets, measured at fair value using significant unobservable inputs for the years ended December 31, 2011 and 2010:

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

	Short Term Investments ($'000)	Equity Securities ($'000)	Hedge Fund Investments ($'000)	Corporate Bonds ($'000)	Asset Backed Securities ($'000)	Total ($'000)
Beginning balance at January 1, 2010	—	1	173,306	8,762	—	182,069
Purchases and issuances	—	—	—	—	28	28
Sales and settlements	—	—	—	—	—	—
Transfers into Level 3	—	—	—	—	—	—
Transfers out of Level 3	—	—	—	—	—	—
Corporate Bonds to Short Term Investments classification change	4,420	—	—	(4,420)	—	—
Realized and unrealized gains included in net loss for the year	826	(1)	11,586	547	(7)	12,951
Ending balance at December 31, 2010	5,246	—	184,892	4,889	21	195,048

During the year ended December 31, 2011, securities with a fair value of $3,174,826 were transferred from Corporate Bonds to Short Term Investments based on their maturity date. The transfer into Level 3 Asset Back Securities of $1,335,446 is due to a reclassification from Level 2 based on their fair value measurement not meeting Level 2 classification criteria at the balance sheet date. There were no other transfers in or out of Levels 1, 2 or 3 during the year ended December 31, 2011.

During the year ended December 31, 2010, securities with a fair value of $4,419,650 were transferred from Corporate Bonds to Short Term Investments based on their maturity date. There were no transfers in or out of Levels 1, 2 or 3 during the year ended December 31, 2010.

Notes to Consolidated Financial Statements

December 31, 2011 and 2010

4. Commitments and contingencies

(a) Derivative Instruments

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

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

At December 31, 2011 and 2010, the Company had the following open forward foreign currency contracts:

	2011		2010	
Currency	**Notional receivable ($'000)**	**Notional payable ($'000)**	Notional receivable ($'000)	Notional payable ($'000)
AUD	**53,253**	**(113,560)**	59,162	(87,920)
BRL	**6,422**	**(3,803)**	14,206	(6,340)
CAD	**38,403**	**(56,646)**	43,155	(53,262)
CHF	**473**	**(3,350)**	4,728	(7,566)
CNY	**35,508**	**(35,505)**	32,511	(10,125)
CZK	**—**	**(18,381)**	—	—
DKK	**1,204**	**(2,335)**	1,398	(7,299)
EUR	**382,597**	**(998,621)**	324,286	(941,281)
GBP	**33,161**	**(143,668)**	37,167	(120,063)
JPY	**45,528**	**(178,995)**	33,524	(189,250)
KRW	**16,879**	**(4,769)**	29,882	(9,247)
NOK	**4,154**	**(7,840)**	25,427	(28,740)
NZD	**1,107**	**(23,098)**	3,137	—
PLN	**7,430**	**(6,000)**	—	(20,004)
SEK	**7,375**	**(9,487)**	10,934	(2,885)
USD	**1,619,321**	**(625,626)**	1,456,245	(598,127)
Other	**26,445**	**(29,542)**	15,326	(10,518)
	2,279,260	**2,261,226**	2,091,088	(2,092,627)

At December 31, 2011, unrealized gains of $31,359,572 (2010 - $17,157,632) and unrealized losses of $13,326,179 (2010 - $18,696,895) on forward foreign exchange contracts are included in investments in marketable securities and derivatives in the Consolidated Balance Sheet.

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

Futures

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

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

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

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

At December 31, 2011 and 2010 the contractual values of financial futures contracts are:

	2011		2010	
	Long ($'000)	**Short ($'000)**	Long ($'000)	Short ($'000)
Equity index futures contracts	**138,565**	**—**	2,521	—
Bond and note futures contracts	**511,828**	**272,842**	627,653	439,311

Notes to Consolidated Financial Statements

December 31, 2011 and 2010

4. Commitments and contingencies (continued)

The Company had gross gains of $6,469,782 and gross losses of $1,109,844 on open futures contracts for the year ended December 31, 2011 (2010 - $33,920,817 and $35,712,565, respectively). These gains and losses are included in the Consolidated Statement of Operations. The Company holds a margin account with its futures broker for the purposes of paying and receiving cash in connection with its futures transactions. Gains and losses are settled daily in cash in this margin account.

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, 2011 and 2010 the fair value of open interest rate swap contracts is:

	2011 ($'000)	2010 ($'000)
Interest rate swaps, net	(3,476)	33,530

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, 2011 and 2010 the fair value of open option contracts is:

	2011 ($'000)	2010 ($'000)
Options purchased	932	8
Options written (liability)	(227)	(3,678)

Premiums received for open written options amounted to $1,262,963 (2010 - $3,126,015).

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.

The tables below show the fair value of the Company's derivative instruments located in Investments in Marketable Securities and Derivatives in the Consolidated Balance Sheet as of December 31, 2011 and 2010:

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

	Derivative Assets 2010 Fair Value ($'000)	Derivative Liabilities 2010 Fair Value ($'000)
Interest rate swaps	340,568	307,038
Credit default swaps	82	121
Fixed income and currency options	8	3,678
Forward foreign currency contracts	17,158	18,697
Equity futures	98	80
Interest rate futures	33,823	35,633
Total	391,737	365,247

Notes to Consolidated Financial Statements

December 31, 2011 and 2010

4. Commitments and contingencies (continued)

The tables below show the net realized gains and losses on the Company's derivative instruments located in the Net (Losses) Gains on Investments in the Consolidated Statement of Operations during the year ended December 31, 2011 and 2010:

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

	2010		
	Net realized gains and losses ($'000)	Change in unrealized gains and losses ($'000)	Net gains and losses ($'000)
Interest rate swaps	21,716	(18,795)	2,921
Credit default swaps	1,470	361	1,831
Equity swaps	—	—	—
Fixed income and currency options	7,050	(3,825)	3,225
Forward foreign currency contracts	43,472	(30,452)	13,020
Equity futures	206	(50)	156
Interest rate futures	8,278	(1,421)	6,857
Total	82,192	(54,182)	28,010

(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 four broad asset classes which are US equity, non-US equity, global fixed income and hedge funds. Investment guidelines are designed to limit the holdings of a single issue and issuer, control non-US dollar currency exposure and minimize sovereign risk. Fixed maturity securities held with maturities of longer than one year generally have a minimum investment rating of B3/B- or better and at least 85% (at fair value) generally have a minimum rating of Baa3/BBB- or better with average quality for the total portfolio of A2/A. The Company utilizes the lower rating as determined by Standard & Poor's and Moody's Investors Services. If a security is not rated by Standard & Poor's or Moody's Investors Services, the equivalent implied rating is utilized. Cash equivalents must carry a rating of A1/P1. The Company believes that there are no significant concentrations of credit risk associated with its investments.

(c) *Prime brokers*

One large investment bank (the "Prime Broker") has been appointed as the Company's Prime Broker. Under the Customer Prime Broker Account Agreements, $136,223,256 (2010 - $125,577,722) of the assets of the Company are held by the Prime Broker and each of the Prime Broker's affiliated companies are subject to a general lien and a continuing first priority perfected security interest in favor of the Prime Broker and therefore constitute collateral security for the Company's obligations and liabilities to the Prime Broker. The Prime Broker has a long term credit rating of A as issued by Standard and Poor's.

(d) *Use of short selling*

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

(e) *Outstanding litigation*

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

Notes to Consolidated Financial Statements

December 31, 2011 and 2010

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 2011 and 2010 is as follows:

	2011 ($'000)	2010 ($'000)
Balance at January 1	**2,309,945**	3,331,281
Incurred losses related to:		
Current year	**596,440**	443,057
Prior years	**2,669**	(20,325)
Total incurred	**599,109**	422,732
Paid losses related to:		
Current year	**180,284**	64,919
Prior years	**448,492**	1,379,149
Total paid	**628,776**	1,444,068
Balance at December 31	**$ 2,280,278**	2,309,945

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

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

The 2010 current year incurred losses of approximately $443 million primarily relate to; (i) claims totaling $274 million relating to specific property and pollution incidents incurred during the year; and (ii) the establishment of IBNR totaling $169 million for the 2010 underwriting year.

The 2010 reduction in incurred losses for prior years claims of approximately $20 million primarily relates to; (i) favorable development on IBNR reserves of $196 million; and (ii) unfavorable development totaling $176 million relating to specific property and pollution incidents incurred during prior years due to updated information received from insureds and loss adjusters on outstanding claims notifications.

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

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

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

6. Preferred shares

The Company has authorized preference share capital of $1,000,000 consisting of 1,000,000 shares with a par value of $1 each. In June 2006, the Company issued 600,000 Series A perpetual preferred shares ("Series A preference shares") and received proceeds from the issuance, net of direct issuance costs, of approximately $586,842,000. Upon dissolution of the Company, the holders of the Series A preference shares are entitled to receive a liquidation preference of $1,000 per share, plus accrued unpaid dividends.

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

After June 30, 2011 dividends accrue at an annual rate of 3-month LIBOR plus a margin equal to 298.2 basis points per $1,000 liquidation preference, payable quarterly in arrears. The Company may redeem the Series A preference shares on or after June 20, 2011, at a redemption price of $1,000 per share. As of December 31, 2011, the Company has not called the preference shares.

During 2011, the Company repurchased and retired 42,305 (2010 - 31,480) of the Series A preference shares with a par value of $1,000 per share. As of December 31, 2011, the Company had 411,482 (2010 – 453,787) of the Series A preference shares outstanding with a par value of $1,000 per share.

Notes to Consolidated Financial Statements

December 31, 2011 and 2010

7. Credit facility

Effective February 10, 2011, the Company entered into a Revolving Credit Facility ("Credit Facility") with The Bank of New York Mellon ("BNY Mellon"). Under the terms of the agreement, the Company may borrow up to $150 million from BNY Mellon. The Credit Facility matures on February 10, 2014. At the option of the Company, any borrowings under the agreement bear interest at a rate per annum equal to either: (1) the greater of BNY Mellon's prime commercial lending rate or 0.50% plus the federal funds rate (as published by the Federal Reserve Bank of New York); or (2) 1.25% plus LIBOR for interest periods of 1, 2 or 3 months. Under the terms of the agreement, the Company must secure the payment and performance of its obligations to BNY Mellon by pledging a portion of the investments held in OICL's fixed maturities investment portfolio. At December 31, 2011, the facility has not been utilized and the fair value of the investments pledged to collateralize the Company's obligation totaled $Nil (2010 - $Nil).

8. Common shares

	2011	2010
Authorized		
200 Class A shares of par value $10,000 each	**$ 2,000,000**	$ 2,000,000
50 Class B shares of par value $1 each	**50**	50
	$ 2,000,050	$ 2,000,050
Issued and fully paid		
52 (2010 - 54) Class A shares	**$ 520,000**	$ 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.

9. Related party transactions

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

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

10. Taxation

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

For the years ended December 31, 2011 and 2010, 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, 2011 and 2010.

11. Regulation

The Company is required by its license to maintain capital and surplus greater than a minimum statutory amount determined as the greater of a percentage of outstanding losses or a given fraction of net written premiums. At December 31, 2011 the Company is required to maintain a minimum statutory capital and surplus of approximately $228.0 million. Actual statutory capital and surplus is approximately $4.22 billion.

The Company is also required to maintain a minimum liquidity ratio whereby the value of its relevant assets is not less than 75% of the amounts of its relevant liabilities. At December 31, 2011 the Company is required to maintain relevant assets of at least $1.73 billion. At that date relevant assets are approximately $6.53 billion and the minimum liquidity ratio is therefore met.

Under the terms of the Rating and Premium Plan, all members are charged a withdrawal premium upon their withdrawal from the Company. The Company has received permission from the Bermuda Monetary Authority to record the estimated amount of the theoretical withdrawal premium ("TWP") due from existing members who have not elected to withdraw or redeem their shares in the Company as statutory capital and surplus. As of December 31, 2011, 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 $1.19 billion, in the calculation of statutory capital and surplus.

12. Comparative information

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

13. Subsequent events

Subsequent events have been evaluated through March 8, 2012, which is the date the financial statements were issued.

Independent Auditors' Report To The Shareholders

KPMG

We have audited the consolidated balance sheets of Oil Insurance Limited and its subsidiary as of December 31, 2011 and 2010 and the related consolidated statements of operations, changes in shareholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. 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 financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Oil Insurance Limited and its subsidiary as of December 31, 2011 and 2010, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

KPMG

Chartered Accountants

Hamilton, Bermuda
March 8, 2012

Management Responsibility for Financial Statements

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

R. D. Stauffer

Robert D. Stauffer
President & Chief Executive Officer

Ricky E.

Ricky E. Lines
Senior Vice President & Chief Financial Officer

March 8, 2012

Company Information

Officers – Oil Insurance Limited

Robert D. Stauffer
President
& Chief Executive Officer

George F. Hutchings
Senior Vice President
& Chief Operating Officer

Ricky E. Lines
Senior Vice President
& Chief Financial Officer

Theodore R. Henke
Senior Vice President
General Counsel & Secretary

Marlene J. Cechini
Controller
& Assistant Secretary

COMMITTEES OF THE BOARD 2011

EXECUTIVE

Trygve Imsland – *Chairman*
Mark F. Wilson – *Deputy Chairman*
James F. Hughes III
James D. Lyness
Gerard Naisse
Robert D. Stauffer

AUDIT

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

COMPENSATION

James F. Hughes III
Trygve Imsland
Gerard E. Modecki
Mark F. Wilson

GOVERNANCE

Roberto Benzan
Philip G. Johnson
Mark F. Wilson

LEGAL COUNSEL

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Cahill Gordon & Reindel
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KPMG
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Bermuda

Board of Directors

Trygve Imsland
Chairman
Vice President – Head of Insurance
Statoil ASA

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

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

John W. Dumas
Director – Corporate Insurance
Murphy Oil Corporation

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

James F. Hughes, III
Corporate Insurance Manager
ConocoPhillips Company

Philip G. Johnson
Head of Insurable Risk
BG Group plc

Gregory J. LaSalle
Director – Property Insurance
Occidental Petroleum Corporation

James D. Lyness
Assistant Treasurer – Insurance
Chevron Corporation

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

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

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

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

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

Subsidiary Companies

OIL MANAGEMENT SERVICES LTD.

DIRECTORS

Trygve Imsland – *Chairman*

Theodore R. Henke

George F. Hutchings

Ricky E. Lines

Robert D. Stauffer

Jerry B. Rivers

Gregory J. LaSalle

OIL MANAGEMENT SERVICES LTD.

OFFICERS

Robert D. Stauffer
President & Chief Executive Officer

Ricky E. Lines
Senior Vice President & Chief Financial Officer

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

George F. Hutchings
Senior Vice President, Oil Insurance Limited

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

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

Marlene J. Cechini
Controller & Assistant Secretary

OIL INVESTMENT CORPORATION LTD.

DIRECTORS

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

Darrell D. Chessum
Treasurer (retired)
Unocal Corporation

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

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

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

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

Tron Vormeland
Vice President Corporate Financing
Statoil ASA

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

OIL INVESTMENT CORPORATION LTD.

OFFICERS

Ricky E. Lines
President & Treasurer

Marlene J. Cechini
Controller & Assistant Secretary

Andrew Rossiter
Vice President & Secretary

Shareholders*

AUSTRALIA

BHP Billiton Petroleum (Americas) Inc.

Santos Ltd. (Sanro Insurance Pte Ltd.)

Woodside Petroleum Ltd.
(WelCap Insurance Pte Ltd.)

AUSTRIA

OMV AG

CANADA

Canadian Natural Resources Ltd.
(Highwood Limited)

Husky Energy Inc.

Nexen Inc. (ICM Assurance Ltd.)

NOVA Chemicals Corporation
(Novalta Insurance Ltd.)

Paramount Resources

Suncor Energy Inc.

Talisman Energy Inc.
(Oleum Insurance Company Limited)

DENMARK

DONG Energy A/S

FRANCE

Arkema

Electricité de France S.A.

TOTAL S.A. (Omnium Insurance and Reinsurance Company Limited)

GERMANY

BASF SE

HUNGARY

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

ITALY

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

LATIN AMERICA / CARIBBEAN

Hovensa L.L.C.

Puerto Rico Electric Power Authority (PREPA)

NORWAY

Statoil ASA (Statoil Forsikring A.S.)

Yara International ASA

PORTUGAL

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

SPAIN

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

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

THE NETHERLANDS

LyondellBasell Industries N.V. (Lyondell Chemical Company)

Royal Vopak N.V.

UNITED KINGDOM

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

UNITED STATES

Apache Corporation

Buckeye Partners, L.P.

Chevron Phillips Chemical Company LLC

Chevron Corporation

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

ConocoPhillips (Sooner Insurance Company)

Drummond Company, Inc.

DTE Energy Company

El Paso Corporation
(Mt. Franklin Insurance Ltd.)

Hess Corporation
(Jamestown Insurance Company Limited)

LOOP LLC

Marathon Oil Corporation

Marathon Petroleum Corporation

Murphy Oil Corporation

Noble Energy, Inc.

Occidental Petroleum Corporation
(Opcal Insurance, Inc.)

Sempra Energy

Southern Union Company

Sunoco, Inc.

Tesoro Corporation

The Sinclair Companies

The Williams Companies, Inc.

Valero Energy Corporation
(Colonnade Vermont Insurance Company)

Westlake Chemical Corporation

* These Energy Companies or their insurance or other affiliates (indicated in brackets) were Shareholders at December 31, 2011.

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