



**OIL INSURANCE LIMITED**  
Leaders in Global Energy Insurance

## OIL at a Glance



### Insuring close to \$3 trillion worth of assets worldwide and providing \$400 million in cornerstone capacity.

Oil Insurance Limited (OIL) is a mutual insurance company that insures close to \$3 trillion dollars of global assets for its 50+ members who are engaged in energy operations. The Company provides its members with up to \$400 million of per occurrence limits which serves as “cornerstone capacity” for their global insurance programs.

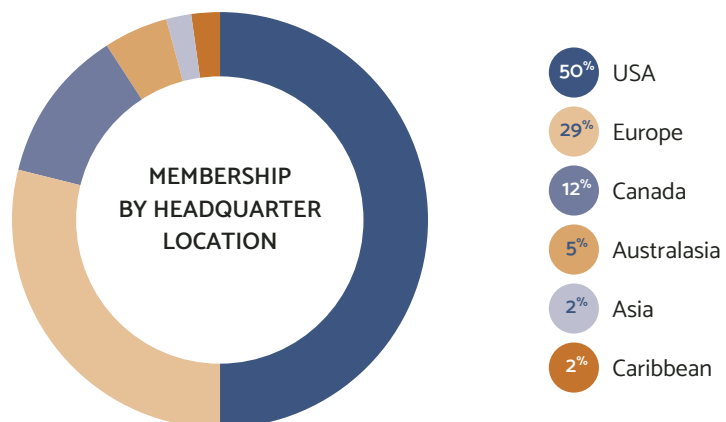
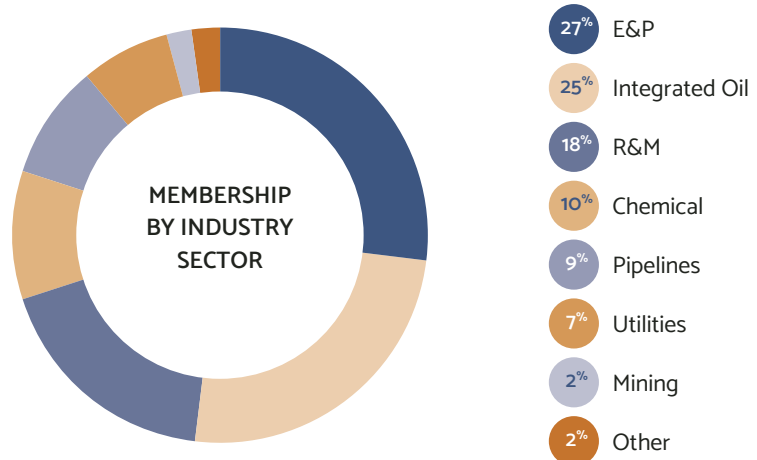
- Headquartered in Hamilton, Bermuda
- Formed by 16 major energy companies in 1972 after two incidents in the late 60's that resulted in inadequate coverage/pricing
- Today, OIL is a world leader in global energy insurance
- Membership is exclusive to energy companies with operations in the following sectors:
  - Offshore E&P
  - Onshore E&P
  - Refining & Marketing
  - Electric Utility
  - Pipelines
  - Mining
  - Pharmaceuticals
  - Other

# BASIC FACTS

## WORLD'S LARGEST MUTUAL INSURER FOR THE ENERGY INDUSTRIES

- 50+ Shareholders/Policyholders – medium to large public/private world-class energy companies headquartered around the world
- 40% of membership has been with OIL for over 20 years
- \$3 trillion in assets insured globally
- \$1.2 billion of dividends and premium credits paid between 2013-2016
- Over \$13 billion in claims paid over 40 years
- Low expense ratio (3-6%)
- S&P A-/Moody's A2 ratings
- Investment grade quality membership

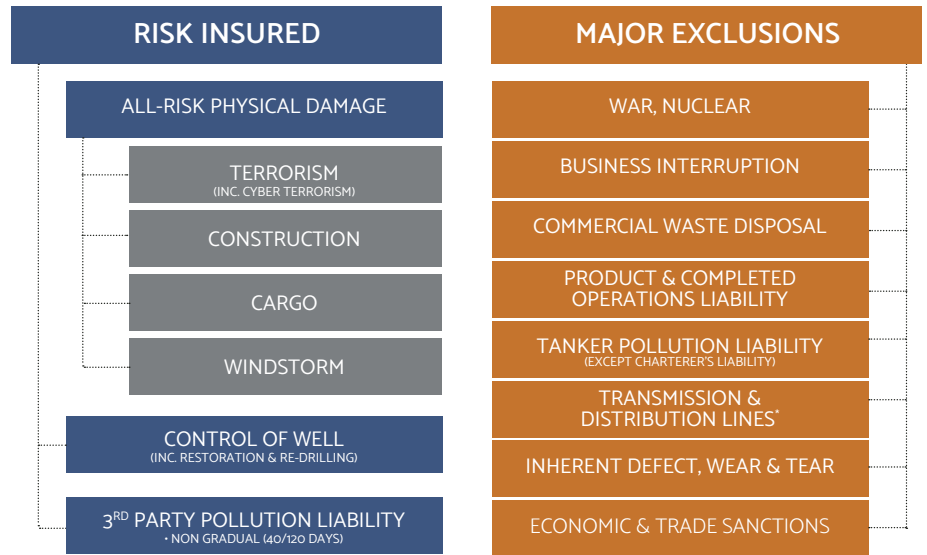
Membership is exclusive to energy companies with operations in the following sectors:



# POLICY COVERAGES

- Blanket cover – OIL’s maximum limit is available for all coverages with no sub-limits (except for windstorm)
- One policy form for all members per the OIL Shareholders’ Agreement

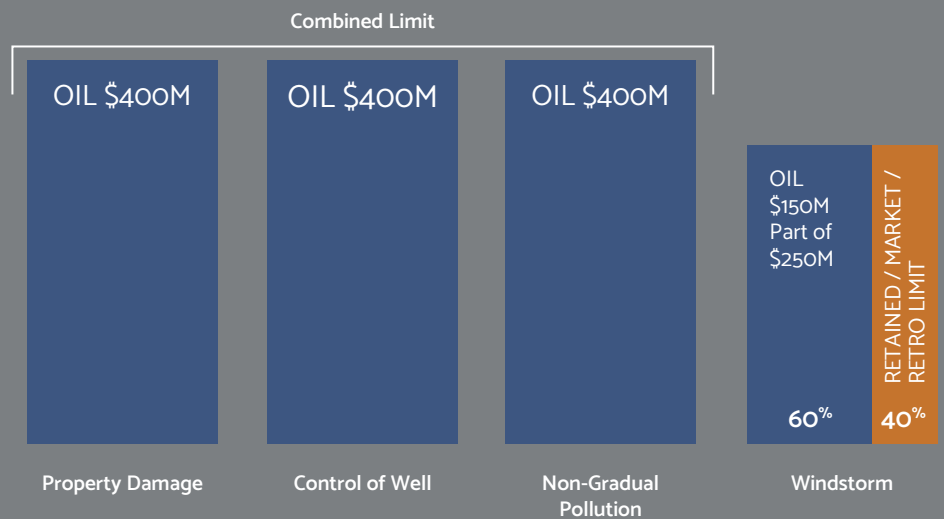
\* T&D Lines are excluded beyond 1,000 meters from any Electrical Facility



# LIMITS OFFERED

- Limits for interest (no scaling)
- \$400 million limit per occurrence and \$1.2 billion event aggregate (non-windstorm risks)
- Limit for windstorms within Designated Named Wind Storm (DNWS) zone \$150 million part of \$250 million per occurrence and \$750 million event aggregate
- Each member can choose how to structure OIL’s limits within their corporate insurance program

## Largest Single Block of Capacity for Global Energy Companies



# DEDUCTIBLES

- Minimum OIL deductible is \$10 million per occurrence with no maximum
- Different deductibles can apply on a per sector basis
- Small-medium sized companies generally opt for a \$10 million deductible while larger companies elect a higher deductible

# UNIQUE PREMIUM MECHANISM

## Features

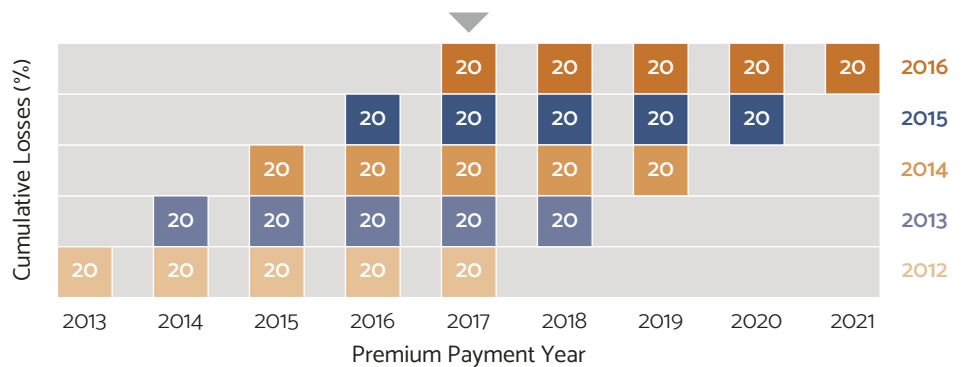
- There is no annual “underwriting”
- Pricing is formula-based (no price negotiation)
- Zero sum premium/loss formula (long-term cost does not include underwriting profit)
- The new “lock-in plan” guarantees 80% of next year’s premium amount, allowing for a high level of certainty in the budgeting process
- Experience modification in place to surcharge members with poor loss records and reward members with good loss records

## Methodology

- 1 All losses of the Group are mutualized by all members
- 2 Members share of losses is based on their pool % (fixed annually)
- 3 Members are contractually obligated to pay back losses over 5 years (5 year post loss funding facility)

# REPAYMENT SCHEDULE FOR LOSSES INCURRED

- Premium volatility drastically reduced via premium plan
- Individual pool percentages and sector differentiation ensures fairness between members
- Further differentiation is made via an Experience Modifier that gives a discount for a good loss record and a surcharge for a poor loss record



$$2017 \text{ Annual Premium} = \sum_{2012} \text{Loss Year}_{yr} \times \text{pool } \%_{yr} \times 20\%$$

# OIL vs. COMMERCIAL MARKET

## OIL Features

- Membership is exclusive to energy companies
- “Mutualised” sharing of losses across entire membership with zero sum premium/loss formula
- Easy annual renewal (no statement of insured values/no negotiation required)
- Fair and equitable claims process
- One policy form for all members per the OIL Shareholders’ Agreement
- OIL uses gross assets from audited balance sheets while the market uses insured values
- Shareholder input – influence product offering, evolution and development
- Networking opportunities through shareholder meetings and Board engagement

# CHANGES AT OIL SINCE 2005

## Rating & Premium Plan

- Dramatically reduced windstorm loss exposures by over 92% via the new windstorm program
- Reduced annual premium volatility after introducing the Lock-In Premium Plan
- Introduced experience rating into members premium calculations – low and no losses reduce a member's premium billing

## Capital

- Virtually eliminated the possibility of future premium calls by securing capital credit for OIL's future premium receivables
- Conservative capital management plan that mirrors our multi-year product offering – high degree of confidence that the \$400 million limit will not change even after bad loss years
- The company increased its limit to \$400 million while paying \$1.2 billion in dividends and premium credits between 2013-2016

## Contracts

- Rewrote the Shareholder Agreement, Policy, and Rating & Premium Plan – contractual documents now have clarity and simplicity (no surprises)

## Other

- Claims department overhaul – high level of consistency in the claims adjustment and management process
- Broker relationships are stronger than ever before
- Oil Technical Accreditation (OTA) – an online e-learning training course that allows companies, brokers, adjusters and consultants to effectively learn how OIL works

# HOW TO JOIN

## Membership Qualifications

- At least 50% of either gross assets or annual gross revenues derived from “Energy Operations” (certain exceptions may apply)
- A minimum of \$1 billion of gross assets
- An investment grade credit rating of at least “BBB-” (S&P) or “Baa3” (Moody's)
  - Companies with no credit rating are subject to a ratio test analysis to determine eligibility (must pass 4 out of 6 ratio tests)

## Joining Process

1. Premium indication (non-binding on either party)
2. Visit with OIL
3. Application for membership and underwriting review
  - A long-term risk perspective/strategic view of managing risk
  - Demonstration of a strong risk management record
4. Purchase of one share @ US\$10,000

**For more information**, OIL offers additional technical “tools” on its website as well as the OTA (OIL Technical Accreditation), which is an e-learning training course for both members, brokers and prospects. Visit [www.oil.bm](http://www.oil.bm) or contact:



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