

OIL INSURANCE LIMITED

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TO: ALL SHAREHOLDERS

August 23rd, 2018

Shareholder Notice of Decisions Made at OIL's July 2018 Board of Directors Meeting

OIL's Board of Directors met on July 19, 2018 for their mid-summer board meeting and they made a series of decisions that have a direct bearing on how the membership uses OIL. Those decisions are as follows:

1. The Board of Directors approved a resolution that will be presented to the Shareholders for approval at the March 2019 AGM. A 75% approval threshold is needed to pass this resolution. Under the assumption the resolution passes, Members who own Offshore Gulf of Mexico assets will no longer separately have to declare the book values and replacement cost values of assets located in the Offshore Gulf of Mexico region. The Board took this decision as a direct result of the elimination of windstorm coverage in that region. This will mean that commencing in 2019 those assets will no longer have to be declared or contribute to a member's Offshore Designated Named Windstorm Pool %. All other Onshore & Offshore assets in other geographic regions in and around the Atlantic Basin / Gulf of Mexico Onshore as prescribed in the Shareholder's Agreement still will be required in your asset declaration schedule at June 30, 2019.
2. The Board elected to survey the membership this fall on the topic of increasing the operational per occurrence and aggregation limits. Please expect to receive the survey in the early part of September with a deadline for completion in early October. Management and the Board will use the information / data from this survey to make a decision on the merits of this subject at the December 2018 Board of Directors meeting. I would ask you all to complete this survey as it will be very important for the company to have a 100% response rate. Thank you in advance.
3. Commencing immediately, the Board has decided to expand the scope of Acceptable Security Instruments to include Surety Bonds for those members who are required to post security. The following guidelines will be used in determining if OIL will accept a Surety Bond from an insurer:
 - a. All insurance companies / surety carriers that issue a Surety Bond must have an "A" / "A2" rating or better from either S&P or Moody's respectively.
 - b. The surety carriers must be based in a country that does not qualify as an emerging markets country as defined by Morgan Stanley Capital International Index.
 - c. The surety form must be irrevocable
 - d. Demand period: 15 days with Underwriter discretion to go longer
 - e. Amount payable in US dollars
 - f. No "right to investigate" clause prior to a claim payment
 - g. The surety form shall be subject to the Uniform Rules for Demand Guarantees (URDG -758) and country listing per "b" above or alternative language acceptable to OIL

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4. Commencing immediately, OIL has simplified the requirements to elect a Split Policy as part of a company's profile in OIL. The following are the only requirements beyond underwriting considerations that a member needs to satisfy:
 - a. The Named Insured demonstrates a legitimate requirement for a separate insurance program for such Subsidiary or Affiliate to the satisfaction of the Underwriter;
 - b. The Named Insured demonstrates that the assets of such Subsidiary or Affiliate are clearly identifiable and able to be reported annually in accordance with the provisions of Section IV of the Rating & Premium Plan to the satisfaction of the Underwriter.

The Board eliminated the need to (a) demonstrate the subsidiary or affiliate was an independent profit center and (b) have an autonomous risk management and insurance function.

5. Commencing as of January 1, 2019, OIL made a modification to the Policy Wording as it pertains to 3rd Party Pollution coverage for FPSOs "as a result of an Occurrence, or imminent or actual danger or threat thereof or by or at Governmental Direction". The affected language is Exclusion 1, paragraph (b)(ii) in both Exhibits D-1 and D-2. In short, the phrase "but in no event for a period exceeding ninety (90) days unless extended in writing by the Underwriter", was moved from sub-paragraph (b)(ii)(B)(2) to sub-paragraph (b)(ii)(B) to make it clear that the 90 days limitation applied to both (b)(ii)(B)(1) and (b)(ii)(B)(2). Please see attached wording change in its redline form.

If you have any questions, please feel free to call Theresa Dunlop or me on (441) 295-0905.



George F. Hutchings
Senior Vice President & COO

FPSO Policy Wording Change

RESOLVED that, effective January 1, 2019, paragraph (b)(ii) of Exclusion 1 of Exhibits D-1 and D-2 to the Shareholders' Agreement is amended to read as follows:

“(ii) any liability which arises in any manner whatsoever from the use, operation, maintenance or repair of an FPSO unless such FPSO:

(A) shall have been secured at its intended site for the production, storage or processing of hydrocarbons at the time of the Occurrence or

(B) after having been secured at its intended site used for the production, storage or processing of hydrocarbons, subsequently, and as the result of an Occurrence or imminent or actual danger or threat thereof or by or at Governmental Direction, but in no event for a period exceeding ninety (90) days unless extended in writing by the Underwriter:

(1) disconnects or is disconnected and is no longer secured or

(2) is in transit, but only for such time and distance as is necessary to avoid the Occurrence or imminent or actual danger or threat thereof or to comply with the Governmental Direction; or”

For administrative purposes a redline version follows:

RESOLVED that, effective January 1, 2019, paragraph (b)(ii) of Exclusion 1 of Exhibits D-1 and D-2 to the Shareholders' Agreement is amended to read as follows:

“(ii) any liability which arises in any manner whatsoever from the use, operation, maintenance or repair of an FPSO unless such FPSO:

(A) shall have been secured at its intended site for the production, storage or processing of hydrocarbons at the time of the Occurrence or

(B) after having been secured at its intended site used for the production, storage or processing of hydrocarbons, subsequently, and as the result of an Occurrence or imminent or actual danger or threat thereof or by or at Governmental Direction, but in no event for a period exceeding ninety (90) days unless extended in writing by the Underwriter:

(1) disconnects or is disconnected and is no longer secured or

(2) is in transit, but only for such time and distance as is necessary to avoid the Occurrence or imminent or actual danger or threat thereof or to comply with the Governmental Direction, ~~but in no event shall this period exceed ninety (90) days unless extended in writing by the Underwriter;~~ or”