

OIL INSURANCE LIMITED

**Oil Insurance Limited Financial Security Procedures: Premium Payments and Collateral**  
**Updated December 2018**

<b>Financial Security Requirements Based on Shareholder Credit Analysis</b>	
Members with Investment-Grade Credit Ratings as determined by Moody's (minimum "Baa3" or higher) and/or S&P (minimum "BBB-" or higher) – ratings of other agencies do not apply:	<ul style="list-style-type: none"> <li>• Normal payment procedures apply:               <ul style="list-style-type: none"> <li>– Quarterly payments of premiums</li> <li>– No additional financial security required</li> </ul> </li> </ul>
Members with Credit Ratings of "Ba1", "Ba2", "Ba3" (Moody's Rating) and/or "BB+", "BB", or "BB-" (S&P Rating):	<ul style="list-style-type: none"> <li>• Annual premiums to be paid in full on the policy renewal date of January 1<sup>st</sup> or as determined by OIL.</li> <li>• No additional financial security required.</li> </ul>
Members with Credit Ratings of "B1", "B2", "B3" (Moody's Rating), and/or "B+", "B", "B-" (S&P Rating) or lower:	<ul style="list-style-type: none"> <li>• Annual premiums to be paid in full on the policy renewal date of January 1<sup>st</sup> or as determined by OIL.</li> <li>• An irrevocable Letter of Credit (LOC) or Surety Bond (SB) (or the equivalent amount and form of financial security acceptable to OIL) for the benefit of OIL with a bank/insurer acceptable to OIL to be maintained in an amount at least equal to the member's share of 1) unfunded losses of the membership pool (TWP) plus 2) the estimated amount of losses for the current year. (The amount of the LOC/SB will be adjusted periodically, as the amount of TWP or estimated current year losses change over time.)</li> </ul>
Members with no Credit Ratings by Moody's and/or S&P (ratings from other agencies do not apply):	<p>For shareholders who were members as of July 31, 2002:</p> <ul style="list-style-type: none"> <li>• Annual premiums to be paid in full on the policy renewal date of January 1<sup>st</sup>.</li> <li>• Financial statements provided quarterly to OIL.</li> <li>• At least four of the six financial ratio tests used by OIL related to liquidity and leverage to be met by the member on an ongoing basis.</li> <li>• If ratio tests are not met, an irrevocable Letter of Credit (LOC) or Surety Bond (SB) (or the equivalent amount and form of financial security acceptable to OIL) for the benefit of OIL with a bank/insurer acceptable to OIL to be maintained in an amount at least equal to the member's share of 1) TWP plus 2) the estimated amount of losses for the current year. (The amount of the LOC/SB will be adjusted periodically, as the amount of TWP</li> </ul>

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<b>Financial Security Requirements Based on Shareholder Credit Analysis</b>	
	<p>or estimated current year losses change over time.)</p> <ul style="list-style-type: none"> <li>• A current “Shadow Rating” from Moody’s and/or S&amp;P of an investment grade level is acceptable for a non-rated member to meet all normal requirements applying to investment grade members.</li> </ul> <p>For shareholders who joined after July 31, 2002:</p> <ul style="list-style-type: none"> <li>• Annual premiums to be paid in full on the policy renewal date of January 1st.</li> <li>• Financial statements provided quarterly to OIL.</li> <li>• Shareholder must post an irrevocable Letter of Credit (LOC) or surety Bond (SB) (or the equivalent amount and form of financial security acceptable to OIL) for the benefit of OIL with a bank/insurer acceptable to OIL to be maintained in an amount at least equal to the member’s share of 1) TWP plus 2) the estimated amount of losses for the current year. (The amount of the LOC/SB will be adjusted periodically, as the amount of TWP or estimated current year losses change over time.)</li> <li>• A current “Shadow Rating” from Moody’s and/or S&amp;P of an investment grade level is acceptable for a non-rated member to meet all normal requirements applying to investment grade members.</li> </ul>

<b>Financial Security Requirements Based on Pool % and Concentrations of Credit Risk</b>	
<p>Members with an individual pool participation within any Pool which exceeds 30% of the overall pool,</p> <p>and</p> <p>If a member’s TWP exceeds \$150 million after applying hypothetical windstorm annual losses equivalent to modeled losses from Egecat or other model as determined, in the discretion of the Company, at the 1:150 year outcomes into the respective pool(s). Or if, actual losses in the pool(s) with a pool % that exceeds 30% creates an actual TWP liability in excess of \$150 million.</p>	<ul style="list-style-type: none"> <li>• An irrevocable Letter of Credit (LOC) or Surety Bond (SB) (or the equivalent amount and form of financial security acceptable to OIL) for the benefit of OIL with a bank/insurer acceptable to OIL to be maintained in an amount that equals the member’s TWP (including hypothetical annual losses) in excess of \$150 million. (The amount of the LOC/SB will be adjusted periodically, as the amount of TWP or estimated current year losses change over time.)</li> </ul>