



OIL INSURANCE LIMITED
Leaders in Global Energy Insurance

NEW HORIZONS HORIZONS

2ND QUARTER REPORT 2018

OIL INSURANCE LIMITED
2ND QUARTER REPORT 2018
CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(\$'000)	30-Jun-18	31-Dec-17
Assets		
Cash and cash equivalents	852,001	722,780
Investments in marketable securities and derivatives	5,229,640	5,649,711
Other investments	701,673	733,915
Investment sales pending settlement	157,564	196,881
Accrued investment income	19,208	18,383
Amounts due from affiliates	654	185
Retrospective premiums receivable	151	469
Accounts receivable	131,202	152
Other assets	2,162	1,520
Total assets	7,094,255	7,323,996
Liabilities		
Reserve for unearned premiums	177,371	-
Outstanding losses and loss expenses	2,329,217	2,242,876
Retrospective premium payable	5,845	7,533
Securities sold short	368,741	402,835
Investment purchases pending settlement	290,714	303,672
Amounts due to affiliates	1,494	2,692
Premiums received in advance	8,461	-
Accounts payable	10,777	13,126
Total liabilities	3,192,620	2,972,734
Shareholders' equity		
Preferred shares	293,421	293,421
Common shares	540	560
Retained earnings	3,607,674	4,057,301
Total shareholders' equity	3,901,635	4,351,262
Total liabilities and shareholders' equity	7,094,255	7,323,996

OIL INSURANCE LIMITED
2ND QUARTER REPORT 2018
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(000's)	THREE MONTHS ENDED		SIX MONTHS ENDED	
	30-Jun-18	30-Jun-17	30-Jun-18	30-Jun-17
Premiums written	50	35	352,258	396,351
Change in unearned premiums written	88,685	99,068	(177,371)	(198,136)
Net premiums earned	88,735	99,103	174,887	198,215
Discount on retrospective premiums receivable	(28)	(26)	(55)	(52)
Losses and loss expenses incurred	(46,110)	(97,145)	(116,252)	(66,812)
Acquisition costs	-	-	-	-
Net underwriting income (loss)	42,597	1,932	58,580	131,351
Interest income	24,744	21,763	47,414	42,476
Net gains (losses) on investments	(42,022)	125,622	(87,774)	328,039
Dividend income	8,383	8,444	16,622	15,262
Interest expense and financing costs	(78)	(71)	(155)	(128)
Investment advisory and custodian fees	(8,858)	(10,918)	(17,258)	(20,703)
Net investment income (loss)	(17,831)	144,840	(41,151)	364,946
General and administrative expenses	(5,150)	(5,519)	(9,499)	(9,945)
Net income (loss)	19,616	141,253	7,930	486,352

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2ND QUARTER REPORT 2018
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (UNAUDITED)

(\$'000)	30-Jun-18
Capital	
Preferred shares at beginning of period	293,421
Preferred shares issued in period	-
Preferred shares repurchased in period	-
Preferred shares at end of period	<u>293,421</u>
Common shares at beginning of period	540
Common shares issued in period	-
Common shares redeemed in period	-
Common shares at end of period	<u>540</u>
Retained earnings	
Retained earnings at beginning of period	4,057,301
Net income for period	7,930
Preferred share dividend	(7,557)
Common share dividend	(450,000)
Retained earnings at end of period	<u>3,607,674</u>
Total shareholders' equity	<u>3,901,635</u>

SHAREHOLDERS' EQUITY:

During the six months ended June 30, 2018, shareholders' equity decreased by \$449.6 million to \$3,901.6 million. Common share dividends of \$450.0 million, preferred share dividends of \$7.6 million, net investment loss of \$41.1 million, and general and administrative expenses of \$9.5 million were offset by underwriting income of \$58.6 million.

INSURANCE OPERATIONS:

During the six months ended June 30, 2018, gross premiums written totaled \$352.3 million, a \$44.1 million decrease from the six months ended June 30, 2017. Net premiums earned decreased from \$198.2 million for the six months ended June 30, 2017 to \$174.9 million for the six months ended June 30, 2018. The decrease in premiums written and earned premiums in the six month period ended June 30, 2018, is primarily due to the decline in losses in the most recent 5 year period, resulting in an overall decrease in the annual premium charged by OIL.

Losses and loss expenses incurred totaled \$116.3 million for the six month period ended June 30, 2018. The loss and loss expenses incurred are due to new claims relating to the current underwriting year totaling \$77.8 million, new claims relating to the prior underwriting year totaling \$68.0 million, plus a decrease of \$32.1 million in prior year claims. Net loss expenses incurred for the six months ended June 30, 2018, totaled \$2.6 million.

INVESTMENTS:

During the six month period ended June 30, 2018, the fund of hedge funds posted gains whilst the global equities and bond portfolios declined. For the six months ended June 30, 2018, returns on the Company's equity, global fixed income and fund of hedge funds portfolios were approximately (1.2)%, (0.6)% and 1.0%, respectively, with a total return on cash and invested assets of (0.7)%.

COMMON SHARE DIVIDENDS:

During March 2018, the Company declared a dividend in an aggregate amount of \$450 million to all common shareholders on record as of January 1, 2018, paid on June 28, 2018.