



OIL INSURANCE LIMITED  
Leaders in Global Energy Insurance

NEW HORIZONS  
HORIZONS

3rd QUARTER REPORT 2018

OIL INSURANCE LIMITED  
3rd QUARTER REPORT 2018  
CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(\$'000)	30-Sept-18	31-Dec-17
<b>Assets</b>		
Cash and cash equivalents	859,829	722,780
Investments in marketable securities and derivatives	5,303,814	5,649,711
Other investments	714,036	733,915
Investment sales pending settlement	224,158	196,881
Accrued investment income	23,254	18,383
Amounts due from affiliates	473	185
Retrospective premiums receivable	6,754	469
Accounts receivable	74,830	152
Other assets	1,753	1,520
<b>Total assets</b>	<b>7,208,901</b>	<b>7,323,996</b>
<b>Liabilities</b>		
Reserve for unearned premiums	88,685	-
Outstanding losses and loss expenses	2,562,249	2,242,876
Retrospective premium payable	3,062	7,533
Securities sold short	378,059	402,835
Investment purchases pending settlement	373,127	303,672
Amounts due to affiliates	2,939	2,692
Premiums received in advance	8,461	-
Accounts payable	9,156	13,126
<b>Total liabilities</b>	<b>3,425,738</b>	<b>2,972,734</b>
<b>Shareholders' equity</b>		
Preferred shares	293,421	293,421
Common shares	540	560
Retained earnings	3,489,202	4,057,301
<b>Total shareholders' equity</b>	<b>3,783,163</b>	<b>4,351,262</b>
<b>Total liabilities and shareholders' equity</b>	<b>7,208,901</b>	<b>7,323,996</b>

OIL INSURANCE LIMITED  
3rd QUARTER REPORT 2018  
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(000's)	THREE MONTHS ENDED		NINE MONTHS ENDED	
	30-Sept-18	30-Sept-17	30-Sept-18	30-Sept-17
Premiums written	9,323	38	361,581	396,389
Change in unearned premiums written	88,686	99,068	(88,685)	(99,068)
Net premiums earned	98,009	99,106	272,896	297,321
Discount on retrospective premiums receivable	(27)	(25)	(82)	(77)
Losses and loss expenses incurred	(307,535)	(567)	(423,787)	(67,379)
Acquisition costs	-	-	-	-
<b>Net underwriting (loss) income</b>	<b>(209,553)</b>	<b>98,514</b>	<b>(150,973)</b>	<b>229,865</b>
Interest income	24,498	21,601	71,912	64,077
Net gains (losses) on investments	77,336	148,268	(10,438)	476,307
Dividend income	5,504	6,092	22,126	21,354
Interest expense and financing costs	(116)	(89)	(271)	(217)
Investment advisory and custodian fees	(6,726)	(7,924)	(23,984)	(28,627)
<b>Net investment income (loss)</b>	<b>100,496</b>	<b>167,948</b>	<b>59,345</b>	<b>532,894</b>
General and administrative expenses	(5,383)	(4,616)	(14,882)	(14,561)
<b>Net (loss) income</b>	<b>(114,440)</b>	<b>261,846</b>	<b>(106,510)</b>	<b>748,198</b>

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CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (UNAUDITED)

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(\$'000)	30-Sept-18
<b>Capital</b>	
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>
<b>Retained earnings</b>	
Retained earnings at beginning of period	4,057,301
Net income for period	(106,510)
Preferred share dividend	(11,589)
Common share dividend	(450,000)
Retained earnings at end of period	<u>3,489,202</u>
<b>Total shareholders' equity</b>	<u>3,783,163</u>

### **SHAREHOLDERS' EQUITY:**

During the nine months ended September 30, 2018, shareholders' equity decreased by \$568.1 million to \$3,783.2 million. Common share dividends of \$450.0 million, preferred share dividends of \$11.6 million, underwriting loss of \$151.0 million, and general and administrative expenses of \$14.9 million were offset by net investment income of \$59.3 million.

### **INSURANCE OPERATIONS:**

During the nine months ended September 30, 2018, gross premiums written totaled \$361.6 million, a \$34.8 million decrease from the nine months ended September 30, 2017. Net premiums earned decreased from \$297.3 million for the nine months ended September 30, 2017 to \$272.9 million for the nine months ended September 30, 2018. The decrease in premiums written and earned premiums in the nine month period ended September 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 \$423.8 million for the nine month period ended September 30, 2018. The loss and loss expenses incurred are due to new claims relating to the current underwriting year totaling \$302.8 million, new claims relating to the prior underwriting years totaling \$300.4 million, a decrease of \$12.3 million in prior year claims, and a decrease in IBNR relating to prior years of \$174.8m due to an increase in case incurred. Net loss expenses incurred for the nine months ended September 30, 2018, totaled \$7.7 million.

### **INVESTMENTS:**

During the nine month period ended September 30, 2018, the fund of hedge funds and the global equities posted gains whilst the bond portfolios declined. For the nine months ended September 30, 2018, returns on the Company's equity, global fixed income and fund of hedge funds portfolios were approximately 2.2%, (0.1)% and 2.2%, respectively, with a total return on cash and invested assets of 0.9%.

### **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.