

OIL INSURANCE LIMITED

P.O. Box HM 1751
Hamilton, Bermuda HM GX

Telephone: (441) 295-0905

Facsimile: (441) 295-0351

July 28, 2021

TO: ALL SHAREHOLDERS

A Summary of the Decisions made by the Board at its July 22nd, 2021 Meeting

At the July 22, 2021 Board of Directors Meeting, the Board unanimously approved the following decisions effective January 1, 2022:

- A. An increase in the Maximum Per Occurrence Limit from \$400 million to \$450 million along with an increase in the Aggregation Limit from \$1.2 billion to \$1.35 billion, (limits for Designated Named Windstorm Occurrences remain unchanged) and
- B. A number of amendments to the Coverage Options Endorsement (Exhibit F - Endorsement No. 2 to the OIL Policy)

The limit increase is self-explanatory and is available for the members to elect effective January 1, 2022. Please note we have changed the deadline for coverage profile elections and will be asking members to submit their requested profile for 2022 by November 1, 2021 (and not December 1st as in previous years). If you wish to take advantage of the increased limit, I strongly encourage you to submit your declaration as close to November 1st as possible and in no event any later than November 15th. More detail will be shared with you when the declaration form is distributed.

A summary of limit amounts as of January 1, 2022 is provided for your convenience.

- Max. Per Occ. Limit: **\$450M**
 - DNW \$150M po \$250M (no change)
- Aggregation Limit: **\$1.35B**
 - DNW \$750M (no change)
- Min. Per Occ. Limit: \$300M (no change)
 - DNW \$60M po \$100M (no change)

With regard to amendments to the Coverage Options Endorsement, the following list highlights the various modifications that become effective for and/or after January 1, 2022. They are listed below along with a clean and redline version of the changes.

1. Commencing on 1/1/2022, the maximum limit will no longer be automatically granted to the membership. Instead, a member must request for their limit to be increased after the Board increases the Maximum Limit. In short, that request becomes a Coverage Change and is subject to the written consent of, and upon such terms and conditions as are prescribed by, the Underwriter. By default, all profiles will renew as expiring unless a shareholder requests a Coverage Change.
2. There are now definitions for Minimum Insurance Limit Per Occurrence and Minimum Designated Named Windstorm Insurance Limit Per Occurrence. Prior to this change, minimum per occurrence limits were provided via a policy established by the Board. Now they are codified in the Shareholders Agreement. Neither of these limits amounts have

changed from the policy previously established by the Board. They remain at \$300 million and \$60 million part of \$100 million respectively.

3. A warranty of the absence of purchased excess insurance is no longer required if a member elects a limit equal to or greater than the minimum limit and less than the maximum limit.
4. The three-year waiting requirement for new members making a profile change has been eliminated. Its original purpose was to ensure a new member could not avoid paying a new entrant premium modifier amount under the pre Lock-In premium plan if they changed their deductible. That is now not possible under the current Lock-In plan.
5. The Board also approved various language simplifications changes

Should you have any questions about these changes, please address them to Theresa Dunlop or myself. We can be reached on theresa.dunlop@oil.bm or george.hutchings@oil.bm .

Sincerely yours,

A handwritten signature in blue ink, appearing to read "G. Hutchings". The signature is stylized and cursive.

George F. Hutchings
Senior Vice President & COO

Coverage Options Endorsement

I. COVERAGE ELECTIONS & CHANGES

A. Each Named Insured shall have the option of making Coverage Change(s), by giving notice to the Underwriter at least thirty (30) days prior to the effective date of the Coverage Change(s); provided, however, that a Named Insured may only make a Coverage Change with the written consent of, and upon such terms and conditions as are prescribed by, the Underwriter; without limiting the foregoing the Underwriter may in the case of a change in deductible or limit, require a warranty relating to the absence of underlying or other insurance (and breach of any such warranty shall void coverage as respects the Sector(s) or Geographic Region(s) involved). The consent of the Underwriter shall be evidenced in writing with the effective date being the date of writing unless otherwise evidenced by the Underwriter.

B. The Named Insured shall elect to purchase coverage as respects any Sector(s) based on a quota share retention of zero percent (0%), ten percent (10%), twenty percent (20%), thirty percent (30%), or forty percent (40%). Such elections in respect of quota share retention(s) shall be evidenced on the Policy Declaration.

Losses shall be paid based on the product of (1) the amount which would otherwise be paid under the Policy and (2) one hundred percent (100%) minus the applicable quota share retention, and the per occurrence limits shall be equal to the product (1) of the limits which otherwise would apply and (2) one hundred percent (100%) minus the applicable quota share retention.

C. Where the Named Insured participates in any layer on a quota share basis greater than zero percent (0%) (apart from any external quota share retention of the Assured pursuant to Section III.D), the Named Insured may elect to:

- (1) retain all or any portion of the risk as respects its retention (in which case the Named Insured may without prejudice to its coverage from the Underwriter otherwise obtain insurance in respect thereof), or
- (2) provided that such Named Insured satisfies the Retrospective Premium Eligibility Criteria, transfer all or any remaining portion (in ten percent (10%) increments) of such risk to the Underwriter subject to the obligation to pay Retrospective Premium as respects the percentage of risk so transferred; provided, however, that in no event shall such transfer exceed forty percent (40%).

Elections in respect of clauses (1) and/or (2) above shall be evidenced on the Policy Declaration.

In the event that a Named Insured that has made a Retrospective Premium Election does not satisfy or no longer satisfies the Retrospective Premium Eligibility Criteria then such election shall terminate at the end of the Retrospective Premium Ineligibility Year, provided, however, that upon written application by the Named Insured, the Underwriter may, in its sole discretion, grant an extension to such election up to March 31 of the year immediately following the Retrospective Premium Ineligibility Year.

“Retrospective Premium Ineligibility Year” means (1) as respects a Named Insured that made the Retrospective Premium Election subsequent to 2018, the year in which the Named Insured ceased to satisfy the Retrospective Premium Eligibility Criteria, or (2) as respects a Named Insured that made the Retrospective Premium Election prior to 2019, the year 2019.

II. DEDUCTIBLES

Each Named Insured shall have the option of selecting a deductible greater or equal to the Minimum Deductible (in multiples of five million dollars (\$5,000,000)) with respect to each occurrence, except as otherwise provided in Condition F.4a of the Policy, either generally or with respect to one or more specific Sectors or, as respects any Designated Named Windstorm Occurrence, any Geographic Regions.

III. INSURANCE LIMITS

A. Occurrence Limits

Each Named Insured shall have the option of selecting an insurance limit per occurrence greater than or equal to the Minimum Insurance Limit Per Occurrence and less than or equal to the Maximum Insurance Limit Per Occurrence with respect to any Occurrence, other than a Designated Named Windstorm Occurrence, either generally or with respect to one or more specific Sectors, provided, however, that such insurance limit per occurrence shall not be greater than ten percent (10%) of the Named Insured’s Unmodified Gross Assets rounded to the nearest ten thousand dollars (\$10,000).

Each Named Insured shall have the option of selecting an insurance limit per occurrence greater than or equal to the Minimum Designated Named Windstorm Insurance Limit Per Occurrence and less than or equal to the Maximum Designated Named Windstorm Insurance Limit Per Occurrence with respect to any Designated Named Windstorm Occurrence, either generally or with respect to one or more specific Geographic Regions, provided, however, that such insurance limit per occurrence shall not be greater than ten percent (10%) of the Named Insured’s Unmodified Gross Assets rounded to the nearest ten thousand dollars (\$10,000).

There shall be no requirement of a warranty relating to the absence of underlying or other insurance, pursuant to Section I.A, in respect of a Named Insured’s election of insurance limits per occurrence greater than or equal to the applicable minimum insurance limit per occurrence for either Designated Named Windstorm Occurrences or any other Occurrences.

The Named Insured may elect to split its limits into more than one layer.

B. *Reduced Limits*

A Named Insured may elect to purchase less than the insurance limits per occurrence prescribed in paragraph A, either generally or with respect to one or more specific Sectors or, in respect of Designated Named Windstorm Occurrences, Geographic Regions.

In any instance where different limits apply to different Sectors or Geographic Regions, if one occurrence affects two or more Sectors or Geographic Regions, the highest insurance limit per occurrence for any such Sector or Geographic Region shall be the limit with respect to the entirety of such occurrence, and any lesser insurance limit per occurrence for a Sector or Geographic Region shall be a sublimit applicable as respects such Sector or Geographic Region.

C. *Additional Limits*

Additional per occurrence limits may be granted above ten percent (10%) of the Named Insured's Unmodified Gross Assets at the discretion of the Board of Directors up to the Maximum Insurance Limit Per Occurrence (or the Maximum Designated Named Windstorm Insurance Limit Per Occurrence, if applicable).

D. *External Quota Share Participation*

A Named Insured may elect to purchase coverage on a quota share basis, either generally or with respect to one or more specific Sectors or, in respect of Designated Named Windstorm Occurrences, Geographic Regions. In such case, the losses in the layers of coverage affected shall be paid (subject to applicable limits) based on the products of the amounts which would otherwise be paid under the policies (without regard to limits) and the percentage participations of the Underwriter on such layers.

IV. *SPLIT POLICIES*

The Underwriter may permit different Assureds under the same policy to secure Coverage Options on different bases; provided, however, that the implementation of such different Coverage Options shall not (1) limit the obligations of the Named Insured under the Shareholders' Agreement and exhibits thereto, or (2) increase the per occurrence limits applicable as respects all Assureds collectively under this policy.

V. *DEFINITIONS*

The definitions of the terms defined in the Shareholders' Agreement and exhibits thereto are incorporated by reference into this Endorsement.

"Coverage Change" means any election or selection (or any withdrawal of or change to any such election or selection) that changes one or more of an Assured's Coverage Options.

"Coverage Options" means any parameter or election as to coverage pursuant to the provisions of this endorsement, including, without limitation, deductibles, insurance limits, external quota share participation, Quota Share Retention, Retrospective Premium Election, split policies, and endorsements.

"Maximum Designated Named Windstorm Insurance Limit Per Occurrence" means the maximum insurance limit per occurrence, for any Designated Named Windstorm Occurrence,

which may be elected in any Geographic Region by any Named Insured as established by the Board of Directors before the end of a calendar year as respects following calendar year(s) by Three-Quarters' Directors Vote.

“Maximum Insurance Limit Per Occurrence” means the maximum insurance limit per occurrence, for any Occurrence other than a Designated Named Windstorm Occurrence, which may be elected in any Sector by any Named Insured as established by the Board of Directors before the end of a calendar year as respects the following calendar year(s) by Three-Quarters' Directors Vote.

“Minimum Deductible” means the minimum deductible which may be elected in any Sector or Geographical Region by any Named Insured as established by the Board of Directors before the end of a calendar year as respects following calendar year(s) by Three-Quarters' Directors Vote.

“Minimum Designated Named Windstorm Insurance Limit Per Occurrence” means the minimum insurance limit per occurrence, for any Designated Named Windstorm Occurrence, which may be elected in any Geographic Region by any Named Insured as established by the Board of Directors before the end of a calendar year as respects following calendar year(s) by Three-Quarters' Directors Vote.

“Minimum Insurance Limit Per Occurrence” means the minimum insurance limit per occurrence, for any Occurrence other than a Designated Named Windstorm Occurrence, which may be elected in any Sector by any Named Insured as established by the Board of Directors before the end of a calendar year as respects the following calendar year(s) by Three-Quarters' Directors Vote.

“Retrospective Premium Election” means as respects any Named Insured an election as respects transfer of risk subject to the obligation to pay Retrospective Premium pursuant to clause I.C(2) of this Coverage Options Endorsement.

“Retrospective Premium Eligibility Criteria” means the criteria that must be satisfied by a Named Insured as prerequisite for making a Retrospective Premium Election, as approved by the Board of Directors on December 5, 2018, and as amended by the Board of Directors from time to time.

“Quota Share Retention” means as respects any Named Insured either (1) the quota share retention elected pursuant to Section I.B as respects any Sector, or (2) in respect of any Designated Named Windstorm Occurrence a quota share retention of forty percent (40%).

Coverage Options Endorsement

I. COVERAGE ELECTIONS & CHANGES

A. ~~After three (3) years as a Named Insured (or such shorter period as the Underwriter may determine) each~~Each Named Insured shall have the option of making Coverage Change(s) , by giving notice to the Underwriter at least thirty (30) days prior to the effective date of the Coverage Change(s); provided, however, that a Named Insured may only make a Coverage Change with the written consent of, and upon such terms and conditions as are prescribed by, the Underwriter; without limiting the foregoing the Underwriter may in the case of a change in deductible or limit, require a warranty relating to the absence of underlying or other insurance (and breach of any such warranty shall void coverage as respects the Sector(s) or Geographic Region(s) involved). The consent of the Underwriter shall be evidenced in writing with the effective date being the date of writing unless otherwise evidenced by the Underwriter.

B. The Named Insured shall elect to purchase coverage as respects any Sector(s) based on a quota share retention of zero percent (0%), ten percent (10%), twenty percent (20%), thirty percent (30%), or forty percent (40%). Such elections in respect of quota share retention(s) shall be evidenced on the Policy Declaration.

Losses shall be paid based on the product of (1) the amount which would otherwise be paid under the Policy and (2) one hundred percent (100%) minus the applicable quota share retention, and the per occurrence limits shall be equal to the product (1) of the limits which otherwise would apply and (2) one hundred percent (100%) minus the applicable quota share retention.

C. Where the Named Insured participates in any layer on a quota share basis greater than zero percent (0%) (apart from any external quota share retention of the Assured pursuant to Section III.D), the Named Insured may elect to:

- (1) retain all or any portion of the risk as respects its retention (in which case the Named Insured may without prejudice to its coverage from the Underwriter otherwise obtain insurance in respect thereof), or
- (2) provided that such Named Insured satisfies the Retrospective Premium Eligibility Criteria, transfer all or any remaining portion (in ten percent (10%) increments) of such risk to the Underwriter subject to the obligation to pay Retrospective Premium as respects the percentage of risk so transferred; provided, however, that in no event shall such transfer exceed forty percent (40%).

Elections in respect of clauses (1) and/or (2) above shall be evidenced on the Policy Declaration.

In the event that a Named Insured that has made a Retrospective Premium Election does not satisfy or no longer satisfies the Retrospective Premium Eligibility Criteria then such election shall terminate at the end of the Retrospective Premium Ineligibility Year, provided, however, that upon written application by the Named Insured, the Underwriter may, in its sole discretion, grant an extension to such election up to March 31 of the year immediately following the Retrospective Premium Ineligibility Year.

“Retrospective Premium Ineligibility Year” means (1) as respects a Named Insured that made the Retrospective Premium Election subsequent to 2018, the year in which the Named Insured ceased to satisfy the Retrospective Premium Eligibility Criteria, or (2) as respects a Named Insured that made the Retrospective Premium Election prior to 2019, the year 2019.

II. **DEDUCTIBLES**

Each Named Insured shall ~~initially~~ have the option of selecting a deductible greater or equal to the Minimum Deductible (in multiples of five million dollars (\$5,000,000)) ~~as the Underwriter may offer from time to time~~ with respect to each occurrence, except as otherwise provided in Condition F.4a of the Policy, either generally or with respect to one or more specific Sectors or, as respects any Designated Named Windstorm Occurrence, any Geographic Regions.

III. **INSURANCE LIMITS**

~~The insurance limits for each Named Insured shall be as follows:~~

A. **Occurrence Limits**

~~With~~ Each Named Insured shall have the option of selecting an insurance limit per occurrence greater than or equal to the Minimum Insurance Limit Per Occurrence and less than or equal to the Maximum Insurance Limit Per Occurrence with respect to any Occurrence, other than a Designated Named Windstorm Occurrence, ~~the~~ either generally or with respect to one or more specific Sectors, provided, however, that such insurance limit per occurrence shall not be ~~the lesser of: greater than~~

~~(1)~~ ten percent (10%) of the Named Insured's Unmodified Gross Assets rounded to the nearest ten thousand dollars (\$10,000), or

~~(2)~~ Each Named Insured shall have the option of selecting an insurance limit per occurrence greater than or equal to the Minimum Designated Named Windstorm Insurance Limit Per Occurrence and less than or equal to the Maximum Designated Named Windstorm Insurance Limit Per Occurrence.

~~With~~ with respect to any Designated Named Windstorm Occurrence ~~the~~ either generally or with respect to one or more specific Geographic Regions, provided, however, that such insurance limit per occurrence shall not be ~~the lesser of:~~

~~(1)~~ greater than ten percent (10%) of the Named Insured's Unmodified Gross Assets rounded to the nearest ten thousand dollars (\$10,000), or

~~(2)~~ the Maximum Designated Named Windstorm Insurance Limit Per Occurrence

There shall be no requirement of a warranty relating to the absence of underlying or other insurance, pursuant to Section I.A, in respect of a Named Insured's election of insurance limits per occurrence greater than or equal to the applicable minimum insurance limit per occurrence for either Designated Named Windstorm Occurrences or any other Occurrences.

The ~~limits shall be in one contiguous layer; provided, however, that the~~ Named Insured may elect to split its limits into more than one layer.

B. *Reduced Limits*

A Named Insured may elect to purchase less than the insurance limits per occurrence prescribed in paragraph A, either generally or with respect to one or more specific Sectors or, in respect of Designated Named Windstorm Occurrences, Geographic Regions.

In any ~~such~~ instance where different limits apply to different Sectors or Geographic Regions, if one occurrence affects two or more Sectors or Geographic Regions, the highest insurance limit per occurrence for any such Sector or Geographic Region shall be the limit with respect to the entirety of such occurrence, and any lesser insurance limit per occurrence for a Sector or Geographic Region shall be a sublimit applicable as respects such Sector or Geographic Region.

C. *Additional Limits*

Additional per occurrence limits may be granted above ten percent (10%) of the Named Insured's Unmodified Gross Assets at the discretion of the Board of Directors up to the Maximum Insurance Limit Per Occurrence (or the Maximum Designated Named Windstorm Insurance Limit Per Occurrence, if applicable).

D. *External Quota Share Participation*

A Named Insured may elect to purchase coverage on a quota share basis, either generally or with respect to one or more specific Sectors or, in respect of Designated Named Windstorm Occurrences, Geographic Regions. In such case, the losses in the layers of coverage affected shall be paid (subject to applicable limits) based on the products of the amounts which would otherwise be paid under the policies (without regard to limits) and the percentage participations of the Underwriter on such layers.

IV. *SPLIT POLICIES*

The Underwriter may permit different Assureds under the same policy to secure Coverage Options on different bases; provided, however, that the implementation of such different Coverage Options shall not (1) limit the obligations of the Named Insured under the Shareholders' Agreement and exhibits thereto, or (2) increase the per occurrence limits applicable as respects all Assureds collectively under this policy.

V. *DEFINITIONS*

The definitions of the terms defined in the Shareholders' Agreement and exhibits thereto are incorporated by reference into this Endorsement.

“Coverage Change” means any election or selection (or any withdrawal of or change to any such election or selection) that changes one or more of an Assured's Coverage Options.

“Coverage Options” means any parameter or election as to coverage pursuant to the provisions of this endorsement, including, without limitation, deductibles, insurance limits, external quota share participation, Quota Share Retention, Retrospective Premium Election, split policies, and endorsements.

“Maximum Designated Named Windstorm Insurance Limit Per Occurrence” means the maximum insurance limit per occurrence, for any Designated Named Windstorm Occurrence, which may be elected in any Geographic Region by any Named Insured as established by the Board of Directors before the end of a calendar year as respects following calendar year(s) by Three-Quarters' Directors Vote.

“Maximum Insurance Limit Per Occurrence” means the maximum insurance limit per occurrence, for any Occurrence other than a Designated Named Windstorm Occurrence, which may be elected in any Sector by any Named Insured as established by the Board of Directors before the end of a calendar year as respects the following calendar year(s) by Three-Quarters' Directors Vote.

“Minimum Deductible” means the minimum deductible which may be elected in any Sector or Geographical Region by any Named Insured as established by the Board of Directors before the end of a calendar year as respects following calendar year(s) by Three-Quarters' Directors Vote.

“Minimum Designated Named Windstorm Insurance Limit Per Occurrence” means the minimum insurance limit per occurrence, for any Designated Named Windstorm Occurrence, which may be elected in any Geographic Region by any Named Insured as established by the Board of Directors before the end of a calendar year as respects following calendar year(s) by Three-Quarters' Directors Vote.

“Minimum Insurance Limit Per Occurrence” means the minimum insurance limit per occurrence, for any Occurrence other than a Designated Named Windstorm Occurrence, which may be elected in any Sector by any Named Insured as established by the Board of Directors before the end of a calendar year as respects the following calendar year(s) by Three-Quarters' Directors Vote.

“Retrospective Premium Election” means as respects any Named Insured an election as respects transfer of risk subject to the obligation to pay Retrospective Premium pursuant to clause I.C(2) of this Coverage Options Endorsement.

“Retrospective Premium Eligibility Criteria” means the criteria that must be satisfied by a Named Insured as prerequisite for making a Retrospective Premium Election, as approved by the Board of Directors on December 5, 2018, and as amended by the Board of Directors from time to time.

“Quota Share Retention” means as respects any Named Insured either (1) the quota share retention elected pursuant to Section I.B as respects any Sector, or (2) in respect of any Designated Named Windstorm Occurrence a quota share retention of forty percent (40%).

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Description	WORK IN PROGRESS - Agenda Item #07.2 - Amendment to Coverage Options Endorsement - Original
Document 2 ID	file:///H:/MEETINGS/2021 Meetings/OIL/BOD - July 2021/DRAFT - Agenda Item #08.2 - Amendments to Coverage Options Endorsement - Exhibit A.docx
Description	DRAFT - Agenda Item #08.2 - Amendments to Coverage Options Endorsement - Exhibit A
Rendering set	Standard

Legend:	
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Format changes	0
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