



# **Oil Insurance Limited**

**An Energy Industry Mutual**



***March 2007***

***London, U.K.***

***35 Years of Service to our Members***





# The Oil Group of Companies

- 2 energy industry mutual insurance companies:



- Headquartered in Hamilton, Bermuda
- Established when commercial market:
  - ceased to provide adequate coverage/limits
  - priced high risk energy operations at unacceptable levels
- 2 Companies have combined membership of 113 world-class energy companies headquartered around the world
- Approximately \$2.2 Trillion gross assets insured



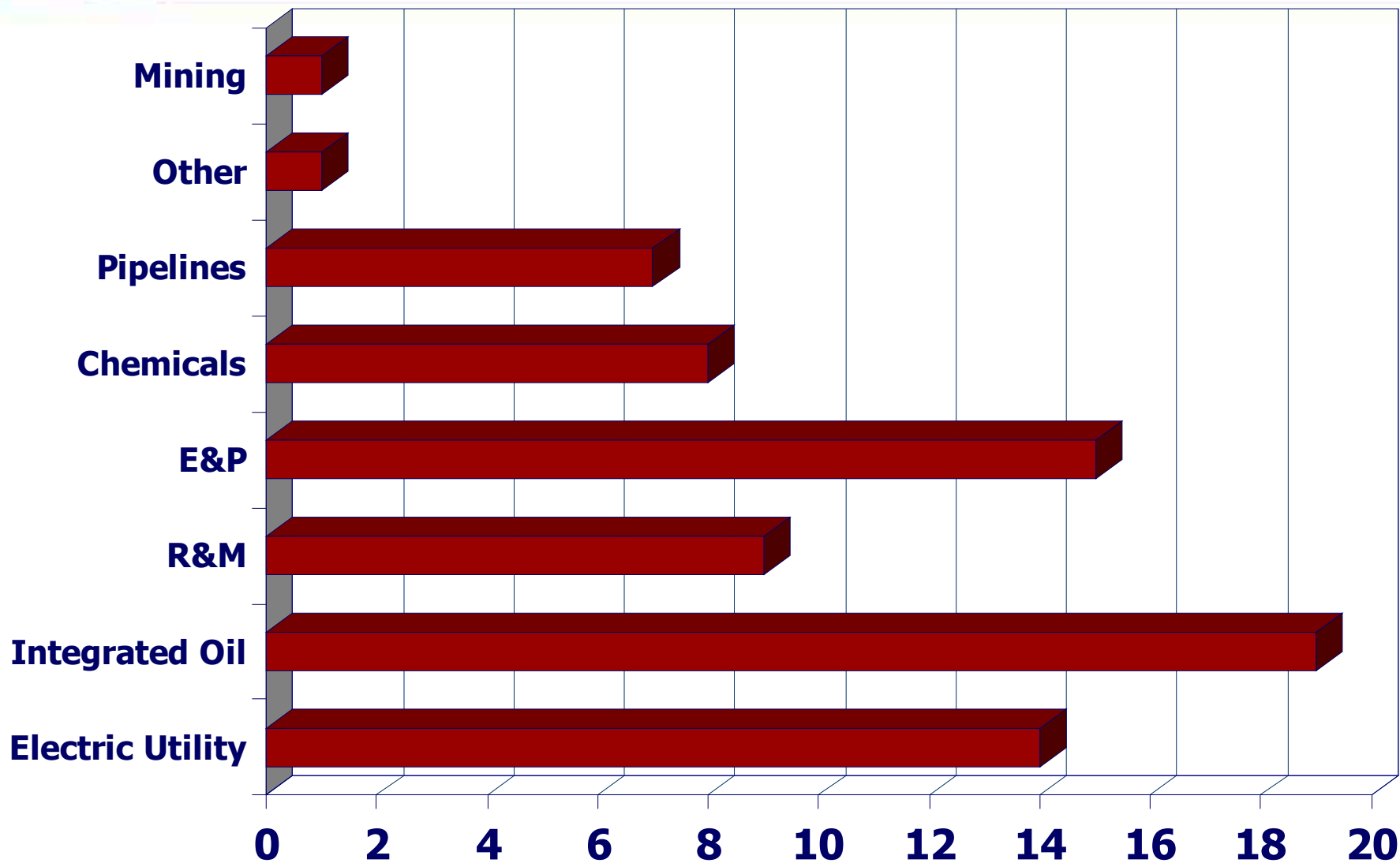


# OIL - Risks Insured

- All risk physical damage to property
  - RCV or ACV
  - Sue & Labour
  - Removal of Debris
- Well control, including restoration and redrilling
- 3<sup>rd</sup> party pollution liability
  - Sudden & accidental cover (40/120) for seepage, pollution or contamination



# OIL Membership by Industry Segment



Number of Shareholders @ 01-Feb-07 = 74



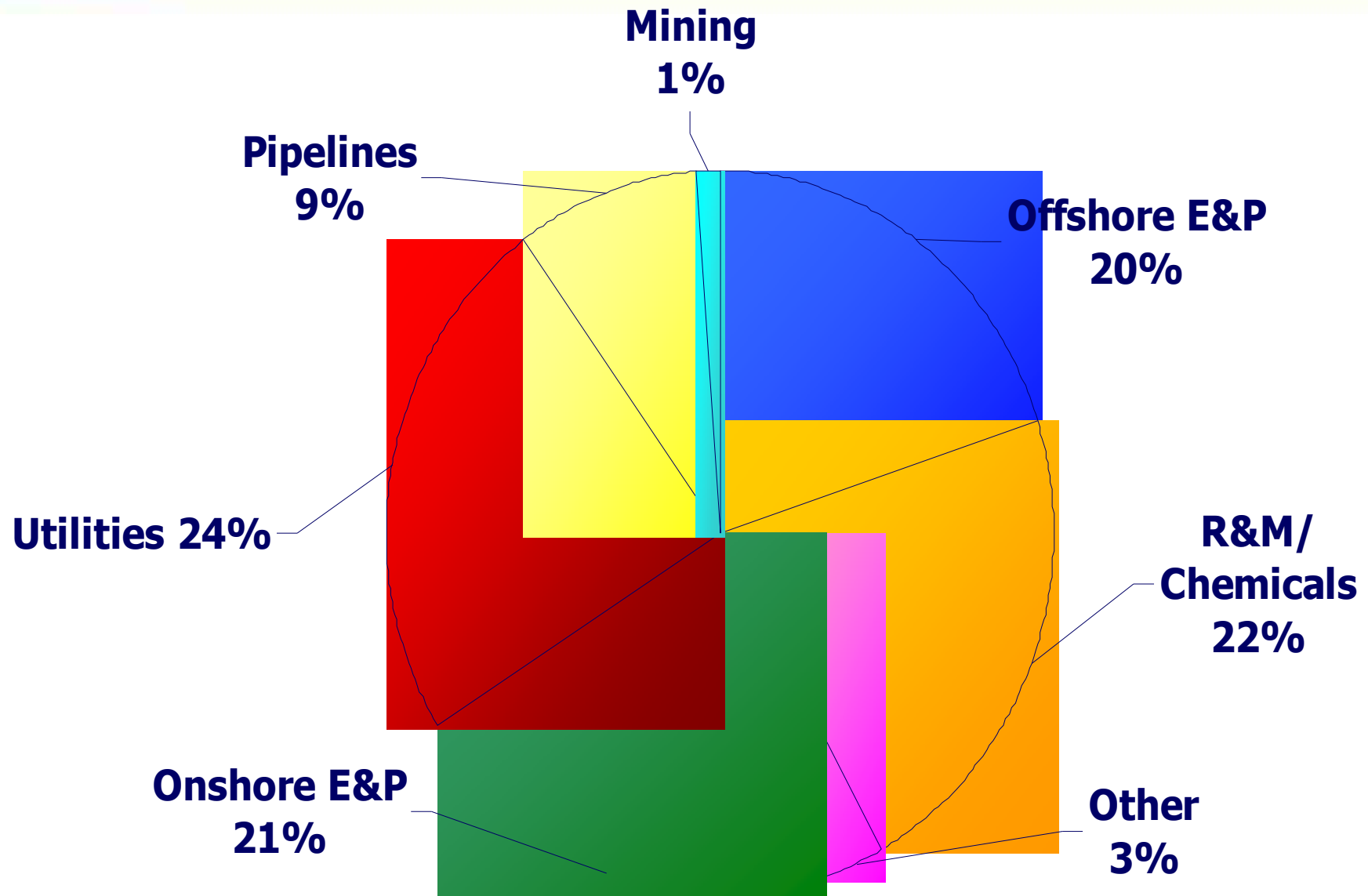


# The OIL Rating & Premium Plan

- Formula basis (no underwriting)
- Premium paid by each policyholder is a function of its gross assets
- Gross assets are the gross value (i.e., historical cost) of property, plant & equipment (without deduction for depreciation, depletion and amortization) plus all inventories, materials and supplies
- Gross assets are adjusted for operational risk and coverage profile (i.e. sector and deductible weightings)

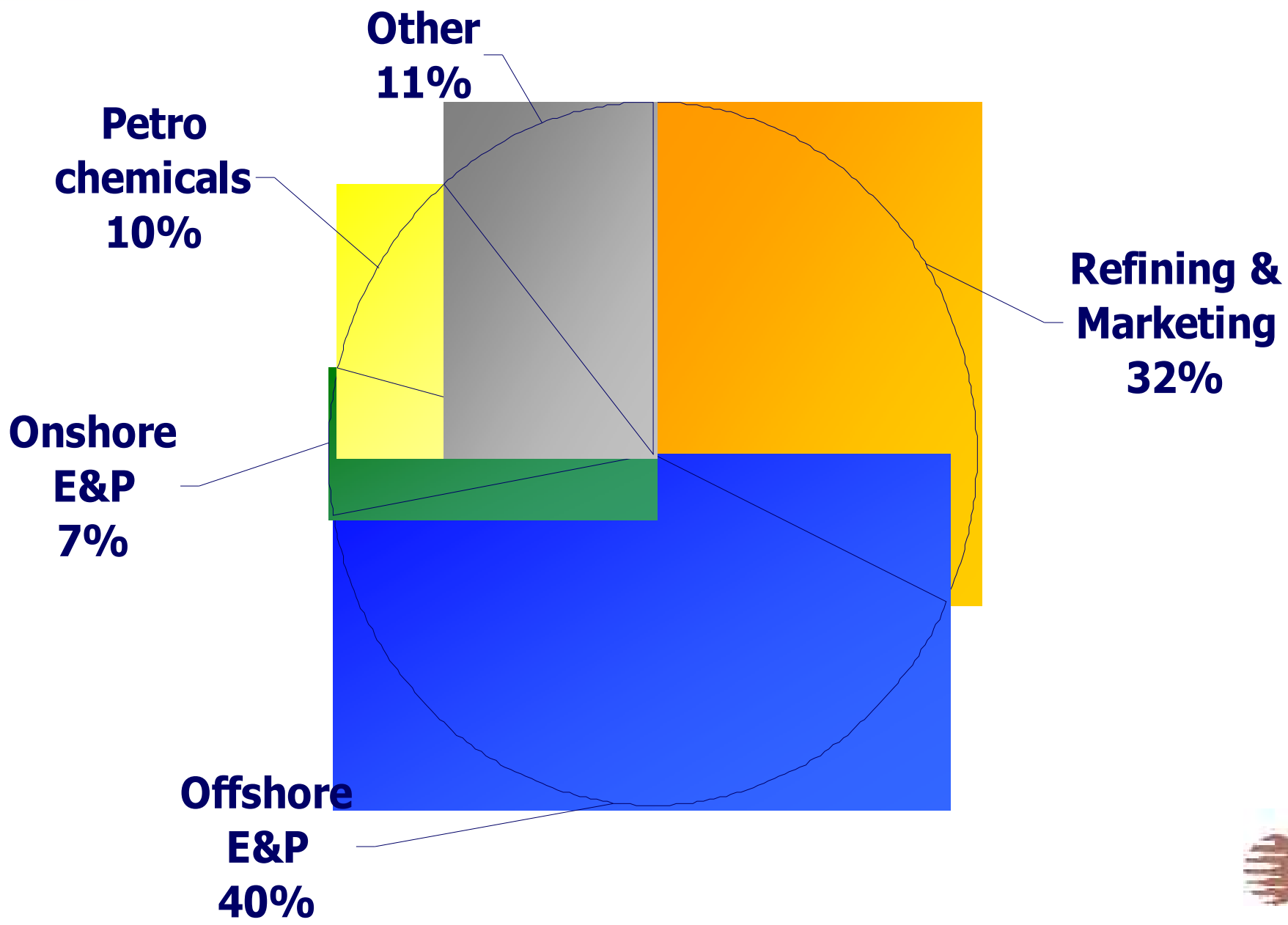


# Unmodified Gross Assets by Business Sector

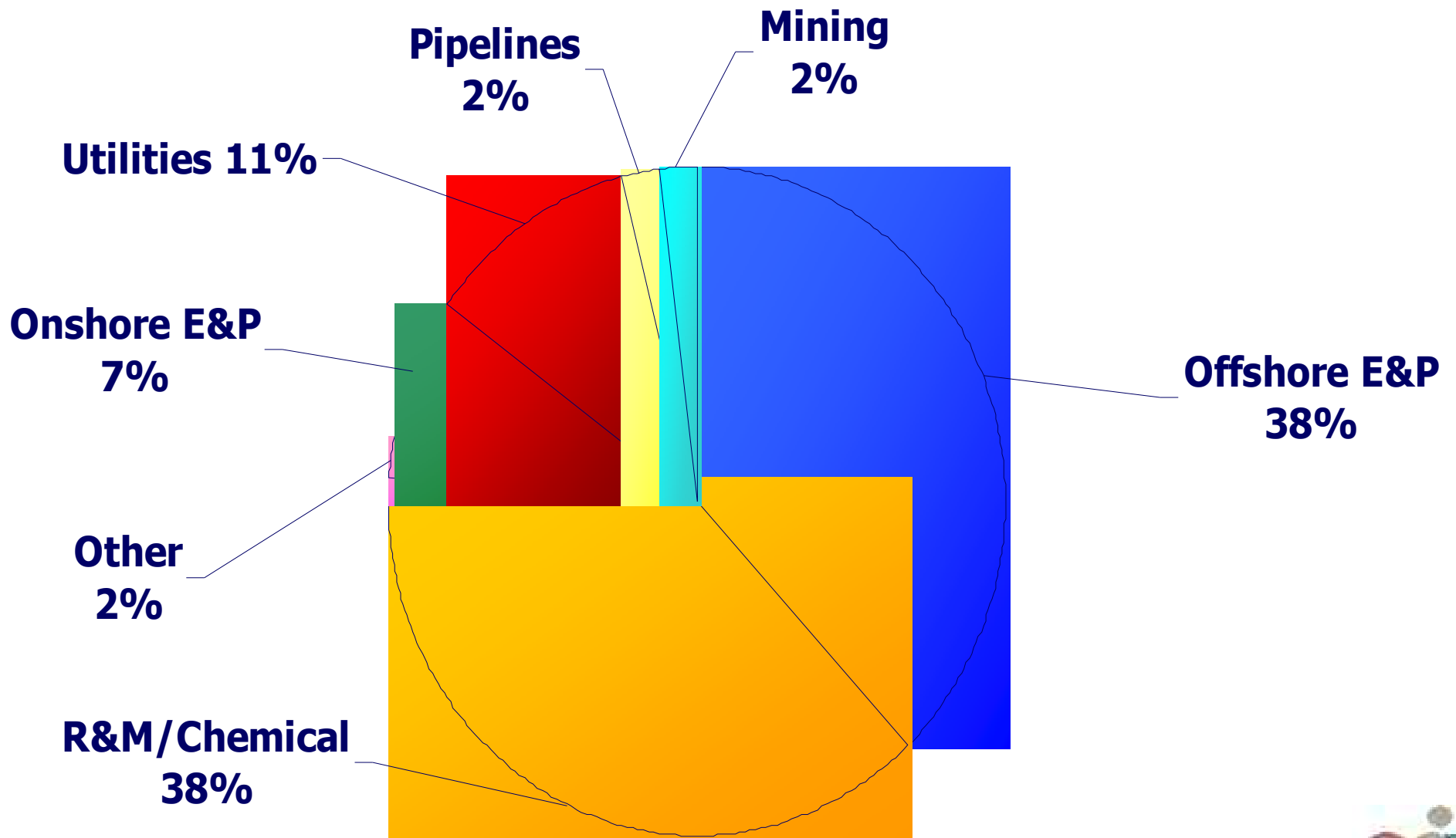




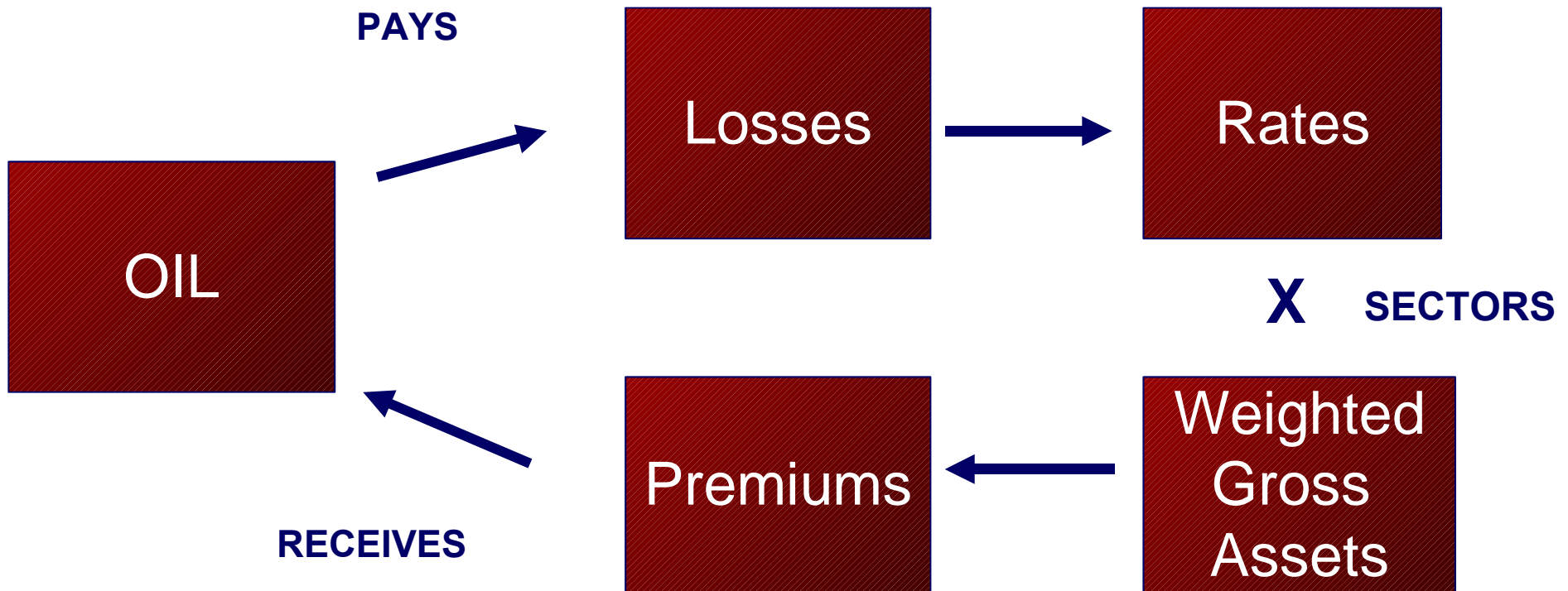
# OIL Historical Losses by Industry Sector



# Weighted Gross Assets by Business Sector



# Principles of the OIL Rating & Premium Plan



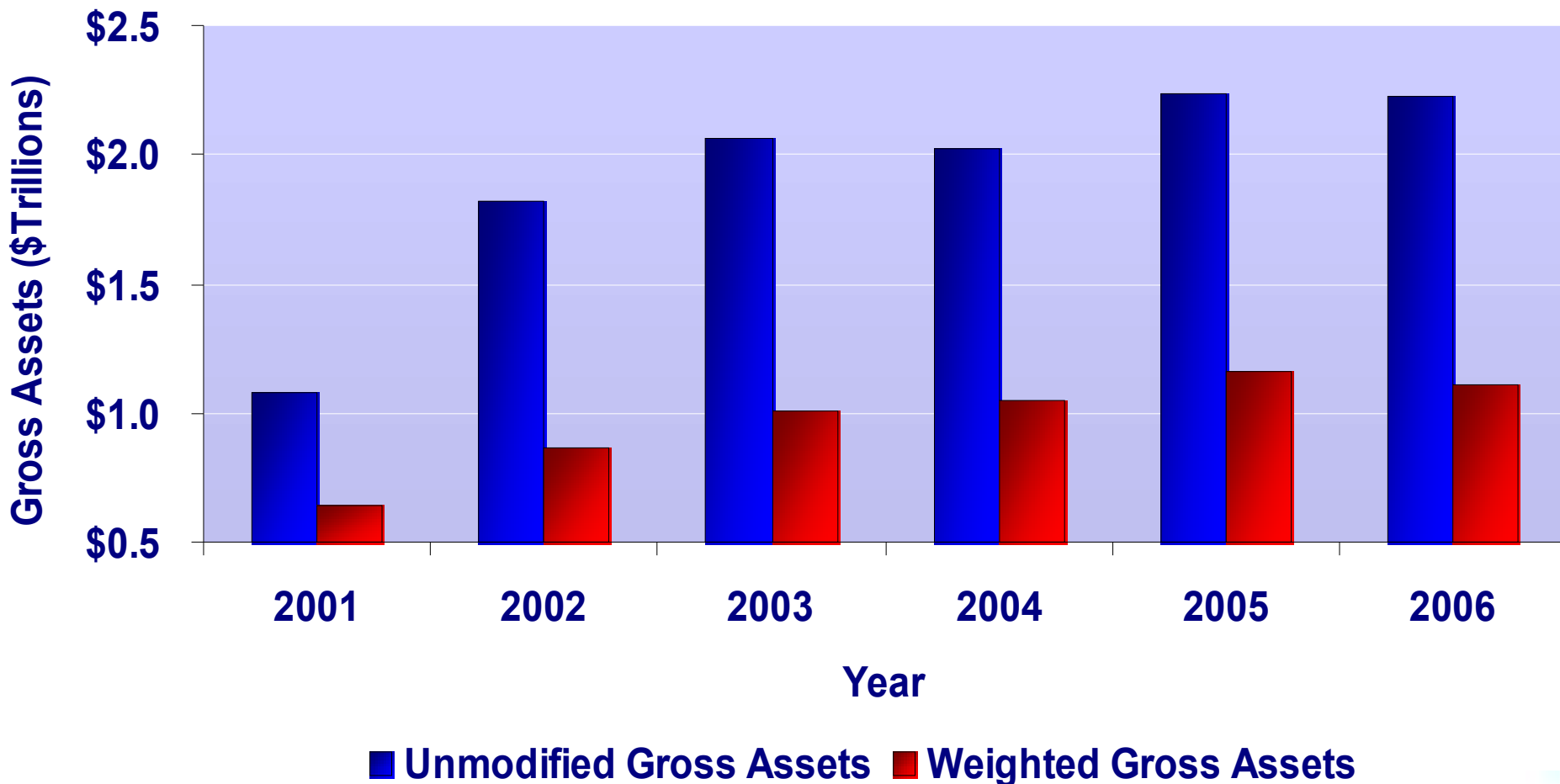


# Hurricane "Tracks" Impacting OIL

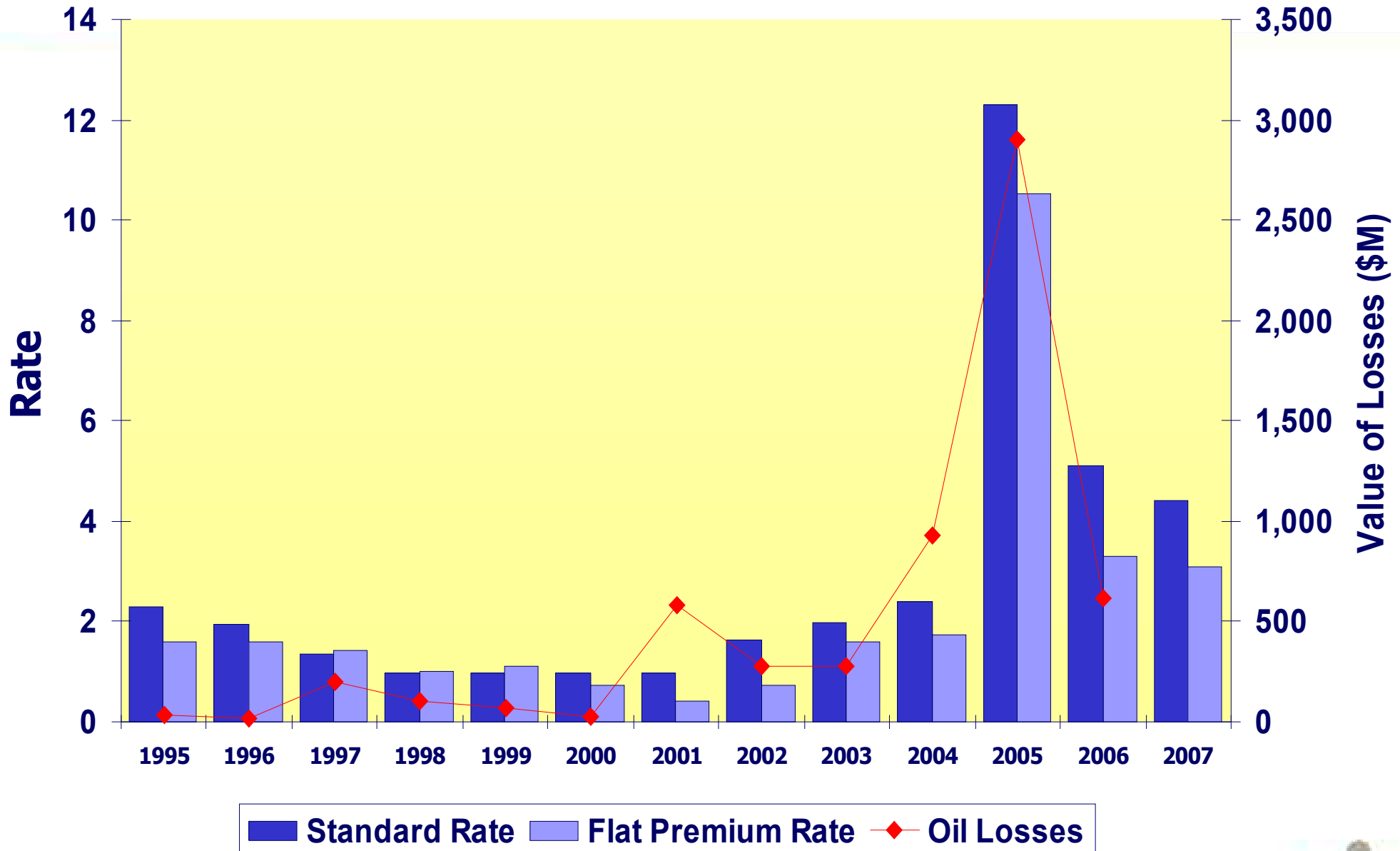


# Historical Growth of OIL

## Gross Assets Insured



# OIL Historical Rates





# Hurricanes Katrina and Rita

## Hurricane Katrina as of 31 December 2006:

- Total of 25 notices received
- 18 Active, 1 Monitor, 1 Precautionary, 5 Closed

## Hurricane Rita as of 31 December 2006:

- Total of 27 notices received
- 21 Active, 1 Monitor, 3 Precautionary, 2 Closed





# Aggregation Scaling Factor Condition I – Underwriter's Liability

- Cumulative liability of the Underwriter shall never exceed the declared aggregation limit (US\$1B)
- Aggregation limit to be prorated amongst Assureds:

$$\frac{\text{Aggregation limit} \times \text{Single S/H's Unrestricted Recovery}}{\text{All S/Hs' Unrestricted Recoveries}}$$

- Costs submitted for payment are currently scaled:
  - 25% for Katrina
  - 35% for Rita




# Hurricane Payout Patterns

Years	Hurricane Andrew (1992)	Hurricane Lili (2002)	Hurricane Ivan (2004)	Hurricane Katrina (2005)	Hurricane Rita (2005)
< 1 Year	18%	0%	9%	5%*	2%*
< 2 Years	79%	81%	53%	16%*	10%*
< 3 Years	100%	89%			
Total Claims	\$108M	\$98M	\$578M	\$1,000M	\$1,000M
Members	3	6	9	25	27

As of 31-Dec-2006

\*Payments Scaled for Aggregation Limit





# Aggregation Claims Cooperation Initiative (ACCI)

- What is it?
- Purpose
- End result: OIL to make information available to excess/wrap insurers to enable verification of the aggregation scaling factor





# ACCI

- The Problem: How to verify the Aggregation without revealing confidential information
- The Solution: Third Party Verification Agent (TVA)
- TVA may review but not disclose confidential information





# ACCI

## The process:

- Confidentiality Agreement
- Agreed scope of work
- File review
- Report
- Follow up

## TVA Review

- Underlying claim data
- Reserve amounts
- Confirm consistency of approach





# Other Issues

- Workforce stabilization
- Demand surge
- P&A costs
- Removal of debris
- Information/communication
- “The End Game”





# Atlantic Named Windstorm Sectors (ANWS)

- Maintain the current 8 Business Sectors
- Add 2 additional ANWS Sectors - Onshore & Offshore
- Aggregation limit differentiation (by peril) after 2007
- Segregated ANWS aggregation limit “Top Up” pool





**Thank you!**

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