

SECOND QUARTER REPORT FOR THE PERIOD ENDED May 31, 2018



OIL CASUALTY INSURANCE, LTD.

OIL CASUALTY INSURANCE, LTD. CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(\$'000)	31-May-18	30-Nov-17
Assets		
Cash and cash equivalents	81,508	96,042
Investments at fair value	705,357	733,272
Other investments	92,856	88,260
Restricted assets	214,644	218,110
Investment sales pending settlement	34,394	29,675
Accrued investment income	3,516	3,763
Losses recoverable from reinsurers	268,216	247,680
Accounts receivable	138,503	135,603
Funds withheld	45,521	20,524
Prepaid reinsurance premiums	9,705	26,805
Other assets	24,298	19,347
Total assets	1,618,518	1,619,081
Liabilities		
Outstanding losses and loss expenses	659,949	622,240
Unearned premiums	141,178	137,234
Securities sold short	-	16,336
Investment purchases pending settlement	55,145	64,642
Loan payable	139,364	139,301
Reinsurance premium payable	32,471	49,731
Amounts due to affiliates	4,836	3,120
Accounts payable	40,596	40,573
Total liabilities	1,073,539	1,073,177
Shareholders' equity		
Common shares	260	270
Retained earnings	544,719	545,634
Total shareholders' equity	544,979	545,904
Total liabilities and shareholders' equity	1,618,518	1,619,081

Oil Casualty Insurance, Ltd. (OCIL) is a provider of excess property and liability insurance to a broad array of industries with a focus on the energy industry. OCIL also underwrites casualty, property and specialty treaty reinsurance. Energy operations insured by OCIL include exploration and production, refining and marketing, pipelines, petrochemicals, electric/gas utilities, mining and integrated energy companies. Domiciled in Bermuda, OCIL has served its customers for over thirty-two years.

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OIL CASUALTY INSURANCE, LTD.

OIL CASUALTY INSURANCE, LTD. CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(\$'000)	THREE MONTHS ENDED		SIX MONTHS ENDED	
	31-May-18	31-May-17	31-May-18	31-May-17
Income				
Premiums written	60,981	50,351	119,921	96,525
Change in unearned premiums written	(666)	(4,087)	(3,944)	(8,511)
Premiums earned	60,315	46,264	115,977	88,014
Premiums ceded	(8,241)	(4,556)	(13,494)	(9,081)
Change in prepaid reinsurance premiums	(9,244)	(7,529)	(17,100)	(12,541)
Net premiums earned	42,830	34,179	85,383	66,392
Losses and loss expenses incurred	(24,563)	(40,069)	(51,624)	(49,340)
Commission and brokerage fees	(9,998)	(5,918)	(18,651)	(10,889)
Net underwriting income (loss)	8,269	(11,808)	15,108	6,163
Interest income	5,311	4,926	10,375	9,291
Net gains (losses) on investments	(6,897)	9,803	(11,404)	25,688
Dividend income	658	507	1,385	650
Investment advisory and custodian fees	(937)	(863)	(1,963)	(1,689)
Interest expenses	(2,998)	(2,933)	(5,870)	(5,835)
Net investment income (loss)	(4,863)	11,440	(7,477)	28,105
General and administrative expenses	(4,605)	(4,189)	(8,546)	(7,888)
Net income (loss)	(1,199)	(4,557)	(915)	26,380

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OIL CASUALTY INSURANCE, LTD.

OIL CASUALTY INSURANCE, LTD. CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (UNAUDITED)

(\$'000)	31-May-18
Capital	
Common shares at beginning of period	270
Shares issued in period	-
Shares redeemed in period	(10)
Common shares outstanding at end of period	<u>260</u>
Retained earnings	
Retained earnings at beginning of period	545,634
Net income for period	(915)
Retained earnings at end of period	<u>544,719</u>
Total shareholders' equity	<u>544,979</u>

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OIL CASUALTY INSURANCE, LTD.

INSURANCE OPERATIONS:

Premiums written for the six months ended May 31, 2018, increased to \$119.9 million from \$96.5 million in the comparative period. Net premiums earned for the six months ended May 31, 2018 increased to \$85.4 million from \$66.4 million in the comparative period. The increases in premium written and earned was primarily due to growth in assumed reinsurance business and OCIL's Lloyd's corporate member business.

During the six months ended May 31, 2018, losses and loss expenses incurred of \$51.6 million primarily related to: (i) net case and IBNR reserves totaling \$30.2 million on the assumed reinsurance book of business; (ii) net case and IBNR reserves totaling \$9.4 million on the direct liability and property books of business; and (iii) net reserves on OCIL's Lloyd's corporate member business of \$11.2 million.

During the six months ended May 31, 2018, the Company recorded net underwriting income of \$15.1 million compared to net underwriting income of \$6.2 million in the comparative period.

INVESTMENTS:

During the six month period ended May 31, 2018 the global equity portfolio returned gains whilst the bond and fund of hedge funds portfolios declined. For the six months ended May 31, 2018, returns on the Company's global equity, global fixed income and fund of hedge fund portfolios were approximately, 0.5%, (0.4)% and (0.4)%, respectively. Including cash, the Company's invested assets were relatively flat over the six month period.

NET INCOME:

During the six months ended May 31, 2018, the Company recorded a net loss of \$0.9 million compared to net income of \$26.4 million in the comparative period.

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