

THE CONNECTION

THE OIL GROUP

HAMILTON
BERMUDA

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OIL AGM:
April 20, 2021
12:00pm AST
(virtual)

OCIL AGM:
April 21, 2021
12:00pm AST
(virtual)

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Transitioning Together

Bertil C. Olsson,
President & Chief Executive Officer

The energy industry has always been a dynamic, constantly evolving industry. It is accustomed to having to adapt quickly to external changes whether it's commodity price swings, geopolitical and regulatory changes or natural and man-made disasters. Looking back at 2020 and forward to a "post-pandemic" 2021, it seems that the pace of change is accelerating and things are happening quicker with greater impact than ever before. As a member-owned insurer, we have to be able to respond to our members' evolving needs and recognize the need to adjust while staying true to our mutual concept.

Over the past year, we have been executing our plan to broaden our distribution capabilities to reach an expanded set of energy companies and address a critical need in the market. To that point, OCIL will soon be launching the organization's first US based excess liability offering via a newly established Excess & Surplus lines facility in Houston, OSL Insurance Services, Inc. This new platform will

complement our existing offerings and also provide the flexibility for further expansion in the future.

On the OIL side, we are in the midst of developing the new five-year strategic plan with a membership survey as a starting point. Understanding where our members' businesses are going is critical to formulating a new plan that will keep us as a key partner to the membership during the next five years.

The board also recently approved Corporate Sustainability statements for OIL and OCIL addressing issues relating to ESG. The statements will be made available via the companies' websites and outline our view on issues that are critical for the long-term sustainability of the organization.

These exciting new developments are examples of how OIL and OCIL are adapting and transitioning together with our members. We remain committed to being leaders in energy insurance, and will continue to innovate for the benefit of our core constituency.

OIL

THE EVER-EVOLVING FUTURE OF THE INDUSTRY

Federated Co-operatives Limited (FCL) joined OIL in October 2020 and Inter Pipeline Ltd (IPL) in December 2020 bringing the membership count to 60 after considering two mergers amongst members.

We welcome IPL and FCL to the OIL family.

OIL Remains the Constant

George Hutchings, Chief Operating Officer - OIL



OIL's broad and flexible policy has played a hugely important role with our members over the past few years. Members have seamlessly and efficiently insured new operations through OIL. Acquisitions and project investments in traditional hydrocarbon assets and new/emerging technologies such as renewables, hydrogen, carbon capture and sequestration are automatically added without any notice obligation or value declaration. No special endorsements or permissions are required unless third party interests are involved or distinct deductible and limit profiles are needed. The transition from the construction phase to operation requires no notice either.

our members will be able to rely on OIL's unique product offering regardless of whether or not your company is transitioning or continuing your traditional operations. Our coverages will remain constant or perhaps even broaden once the Board and Management finalize our new five-year strategic plan. Even though others in the insurance market believe phasing out their support is the right approach to take, OIL believes the exact opposite. We embrace renewables and all other forms of energy generation (besides hot zone nuclear exposures – cold zone is covered) while continuing to cover hydrocarbon operations. OIL covers all energy business segments.

No matter what your company's strategy may be over the next decade,

We are ready to partner with you as the future evolves.



Karen Ratteray-Johnston,
Manager - Investment Compliance

At OMSL, our success and the service we offer relies on the skill, dedication and expertise of our many talented staff. In this issue, we profile our longest servicing team member, Karen Ratteray-Johnston.

Team Member Profile

Karen joined OMSL in 1986. On August 1, 2021 she will be celebrating 35 years with the company.

Karen's career actually started in 1984 when she was a summer student at OIL. Upon completion of her University degree in 1986, she was offered a fulltime position in the Investment Department. At that time her responsibilities included recording and reconciling the daily transactions in the investment portfolios. Since then her duties and responsibilities have evolved and today include managing the

preparation of our annual investment disclosures, regulatory reporting for the investment companies, and being the main point of contact for our custodian and investment managers.

She says: "The days have long since passed when people would stay at one job for their entire career, however, after 35 years I don't regret doing just that. Along with my professional development, one of the highlights of my career is the long lasting friendships I have developed with past and current employees."

OCIL

GROWTH IN DIVERSIFICATION



OCIL's Value Proposition

Jerry Rivers, Chief Operating Officer - OCIL

“Our shareholders have reiterated that our key value proposition is our ability to offer large limits for excess liability on a consistent basis.”

As noted in the September issue of The Connection, the mutual concept thrives at times like these and I think we certainly proved that to be the case throughout 2020. OCIL supported clients in the excess liability area when many conventional insurance carriers reduced or ventilated limits, increased attachment points or fled the segment completely. This left gaps in insured's programs. In many cases, OCIL was able to fill those gaps by lowering our attachment points or increasing limits.

Our shareholders have reiterated that our key value proposition is our ability to offer large limits for excess liability on a consistent basis. Today, there are not many other insurers that will offer \$75 million in excess liability limits for an energy company.

During the 2019 AGM, we announced that OCIL would embark on a three-year process to move rates upward to a sustainable level after incurring over \$110 million of underwriting losses in the prior 10 years in the liability line of business. We are now well on our way to complete that process and achieve our goal to consistently underwrite this line to a combined ratio not exceeding 100%. The historically poor results

are based on losses sustained by our members (wildfires, explosions, pollution events, etc.), increased costs for ceded reinsurance, and a challenging investment market for fixed income assets. These headwinds require us to appropriately price our products so that we can continue to ensure a robust and sustainable product offering.

Offering long tail lines with large limits at relatively high attachment points generates volatile results. For the past 10 years, we have been executing on a diversification strategy along product lines and an expanded set of customers to help balance out the overall book.

In addition to the excess liability offering, OCIL has grown its property segment and now participates on many of the OCIL liability policyholders' and OIL members' property programs. I am also happy to say that we were able to find opportunities to help out some of our insureds that are also OIL members where our property unit was able to write a number of OIL wraps and top up some clients' property programs.

OSL

**A BROADER
PRODUCT
OFFERING**



OCIL Specialty Limited (OSL)

Jerry Rivers, Chief Executive Officer - OSL

To broaden our product offering, fill a need in the market and gain access to a new set of customers, such as smaller and medium sized energy companies that do not necessarily place their programs in Bermuda, OCIL has created a new company - OCIL Specialty Limited (OSL). Based in Bermuda, OSL is licensed by the Bermuda Monetary Authority and will provide insurance in the excess liability space beginning in 2021. OSL is also an approved alien insurer, authorised to write surplus lines business in the US. OSL has been rated A- by AM Best. We have also incorporated OSL Insurance Services, Inc. (OISI), a Houston based excess and surplus lines broker to underwrite on behalf of OSL, on an exclusive basis with limited underwriting authority through a binding authority agreement. I am pleased to say that we now have four employees in that office preparing to service energy industry clients through their US retail brokers.

OSL expects to begin accepting submissions for business in the first quarter of 2021 and is in the final stages of building out it's infrastructure. It is a really exciting time and the whole premise behind this new enterprise is to make the company stronger through greater scale, reduce volatility through diversification, and access an expanded energy customer base. The timing is certainly ideal as the energy industry needs capacity in general and specifically to cover gaps lower down in their programs. So we think it's a good time for us to once again expand our value proposition for the energy industry and at the same time advance our strategic initiatives.

OSL and OISI will be reaching out to the brokerage community over the next several months to introduce themselves and their new product offering. We expect good support from the energy industry and their brokers.

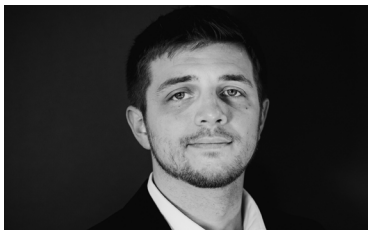
OISI is led by Dustin Schuler, previously with Swiss Re. Initially, OSL will be attaching in an excess position with a minimum attachment point of \$10 million and with a maximum limit of \$15 million.



Dustin Schuler
Underwriting Manager



Catherine Crabb
Senior Underwriter



Brett Hartstein
Senior Underwriter



Brett Livingston
Underwriting Assistant