JohnsonLambert LLP
cpas + consultants

Energy Insurance Mutual Limited

Audited Financial Statements

Years ended December 31, 2023 and 2022
with Report of Independent Auditors

Energy Insurance Mutual Limited

Audited Financial Statements

Years ended December 31, 2023 and 2022

Contents

Report of Independent Auditors

To the Audit Committee of the Board of Directors
Energy Insurance Mutual Limited

Opinion

We have audited the financial statements of Energy Insurance Mutual Limited (the Company), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations, changes in policyholders' surplus, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the disclosures about short-duration insurance contracts, including incurred and cumulative paid losses and allocated loss adjustment expenses, net of reinsurance and average annual percentage payout of incurred claims by age, on pages 21 - 23 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Johnson Lambert LLP

Jacksonville, Florida
February 26, 2024

Energy Insurance Mutual Limited

Balance Sheets
(Expressed in Thousands of U.S. Dollars)

	As of December 31, 2023	As of December 31, 2022
Assets		
Fixed maturity securities, trading	$ 1,302,685	$ 969,254
Equity securities	519,567	523,745
Alternative investments	385,880	401,651
Investment in subsidiaries	6,104	5,703
Total investments	2,214,236	1,900,353
Cash and cash equivalents	147,853	125,258
Reinsurance recoverables on unpaid losses	541,467	477,873
Reinsurance recoverables on paid losses	8,751	26,852
Prepaid reinsurance premiums	34,039	28,232
Accrued investment income	7,443	6,398
Receivables for securities sold	9,026	4,570
Premiums receivable	33,208	16,846
Deferred policy acquisition costs	1,259	1,026
Income taxes recoverable	-	4,568
Due from subsidiaries	-	277
Other assets	1,911	2,311
Total assets	$ 2,999,193	$ 2,594,564
Liabilities and policyholders' surplus		
Liabilities:		
Reserve for losses and loss adjustment expenses	$ 1,472,554	$ 1,178,465
Unearned and advance premiums	222,405	194,382
Reinsurance premiums payable and funds held for reinsurers	14,496	2,365
Net deferred tax liability	36,097	24,717
Policyholder distributions payable	-	25,000
Accounts payable and accrued expenses	16,726	21,562
Due to subsidiaries	908	-
Income taxes payable	1,891	-
Total liabilities	1,765,077	1,446,491
Policyholders' surplus	1,234,116	1,148,073
Total liabilities and policyholders' surplus	$ 2,999,193	$ 2,594,564

See accompanying notes to the financial statements.

Energy Insurance Mutual Limited

Statements of Operations

(Expressed in Thousands of U.S. Dollars)

	Years ended December 31, 2023	2022
Underwriting revenue		
Net premiums earned		
Direct and assumed premiums earned	$ 378,080	$ 367,482
Ceded premiums earned	(77,584)	(81,143)
Net premiums earned	300,496	286,339
Ceding commission (loss) income	(140)	199
Total underwriting revenue	300,356	286,538
Underwriting expenses		
Net losses and loss adjustment expenses		
Direct and assumed losses and loss adjustment expenses	490,269	313,975
Ceded losses and loss adjustment expenses	(137,218)	(89,451)
Net losses and loss adjustment expenses	353,051	224,524
Policy acquisition costs	2,506	2,403
Administrative expenses	14,813	13,249
Total underwriting expenses	370,370	240,176
(Loss) income from underwriting	(70,014)	46,362
Investment income (loss)		
Net realized gain (loss) on investments	96,640	(214,553)
Net investment income	78,459	61,827
Total investment income (loss)	175,099	(152,726)
Income (loss) before policyholders' distribution and income taxes	105,085	(106,364)
Distributions to policyholders	-	(25,000)
Income tax (provision) benefit	(19,042)	31,425
Net income (loss)	$ 86,043	$ (99,939)

See accompanying notes to the financial statements.

Energy Insurance Mutual Limited

Statements of Changes in Policyholders' Surplus
(Expressed in Thousands of U.S. Dollars)

	Policyholders' Surplus
Balance at January 1, 2022	$ 1,248,012
Net loss	(99,939)
Balance at December 31, 2022	1,148,073
Net income	86,043
Balance at December 31, 2023	$ 1,234,116

See accompanying notes to the financial statements.

Energy Insurance Mutual Limited

Statements of Cash Flows
(Expressed in Thousands of U.S. Dollars)

	Years ended December 31, 2023	2022
Net income (loss)	$ 86,043	$ (99,939)
Cash flows from operating activities		
Add (deduct) items not affecting cash:		
Depreciation	164	147
Amortization of bond premium or discount	(7,733)	(2,105)
Net realized investment (gain) loss	(6,624)	13,285
Net change in fair value on securities held	(90,016)	201,268
Deferred income taxes	11,380	(45,350)
Changes in operating assets and liabilities:		
Reinsurance recoverables on unpaid and paid losses	(45,493)	24,550
Prepaid reinsurance premiums	(5,807)	8,998
Premiums receivable	(16,361)	(2,640)
Other	14,381	3,134
Reserve for losses and loss adjustment expenses	294,089	50,597
Unearned and advance premiums	28,023	25,124
Reinsurance premiums payable and funds held for reinsurers	12,131	672
Policyholder distribution payable	(25,000)	(25,000)
Accounts payable and accrued expenses	(1,916)	957
Due from subsidiaries	1,185	56
Net cash from operations	248,446	153,754
Cash flows from investing activities		
Cost of investments purchased	(819,131)	(660,389)
Proceeds from sales of investments	510,860	410,116
Proceeds from maturities of investments	93,468	166,687
Change in amount due from purchase/sale of securities	(6,817)	(10,116)
Income from alternative investments	(400)	(2,000)
Equity in earnings of subsidiaries	(7,374)	(389)
Purchases of fixed assets	3,543	(4)
Net cash from investing	(225,851)	(96,095)
Net change in cash and cash equivalents	22,595	57,659
Cash and cash equivalents, beginning of year	125,258	67,599
Cash and cash equivalents, end of year	$ 147,853	$ 125,258
Supplemental disclosure of cash flow information		
Income taxes paid	$ -	$ 19,750

See accompanying notes to the financial statements.

Note A - Organization and Significant Accounting Policies

Organization
Energy Insurance Mutual Limited (the Company or EIM) is a mutual insurance company incorporated in Barbados on June 13, 1986. On June 9, 1988, EIM was licensed by the State of Florida as an industrial insured captive insurance company. EIM operates as an eligible surplus lines insurer in all other states and the District of Columbia.

The Company is a mutual insurance company with membership available to any utility or member of the energy services industry that meets EIM's underwriting standards. The Company provides excess general liability, excess fiduciary liability, and excess directors and officers liability policies written on a claims first made basis. In addition, to a lesser extent, the Company writes property insurance for its members. All members have casualty policies in place, approximately half of those members have property policies as well. The Company also provides cyber liability coverage to its members.

Basis of Reporting
The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) promulgated by the Financial Accounting Standards Board Accounting Standards Codification (ASC or the guidance). Preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Adoption of Accounting Standard
The Company adopted Accounting Standards Update (ASU) 2016-13 and subsequent amendments, *Financial Instruments – Credit Losses (Topic 326)* (the guidance) on January 1, 2023. The guidance replaces the incurred loss impairment model with an expected loss model, also referred to as the current expected credit loss (CECL) model. The model requires companies to measure expected credit losses on financial assets measured at amortized cost and record an allowance for credit loss against those assets.

The Company adopted the guidance using the modified retrospective approach. There was no impact to the Company from adopting the credit loss standard as of January 1, 2023.

Note A - Organization and Significant Accounting Policies (Continued)

Investment in Subsidiaries
The Company is the sponsor and 100% common stockholder of Energy Insurance Services, Inc. (EIS), a sponsored cell captive insurance company domiciled in South Carolina. As a sponsored captive, EIS allows EIM members, known as Mutual Business Programs (MBPs), to insure or reinsure the risks of their sponsoring organizations, including property, general and environmental liability, asbestos, workers' compensation, and retiree medical stop loss. Through participation agreements with the MBPs, the insurance risks underwritten by the MBPs are contractually limited to the funds available in the individual cell's account, and neither EIS nor EIM has any obligation to absorb losses of the MBPs. Likewise, EIS has no right to the capital and accumulated profits of the MBPs cells. EIM does not have the power to direct the activities of the MBPs that most significantly impact their economic performance.

As of December 31, 2023, EIS has assets (exclusive of assets held in MBPs) of $10.3 million, shareholder's equity of $5.0 million, and net income of $364,000. As of December 31, 2022, EIS had assets (exclusive of assets held in MBPs) of $5.6 million, shareholder's equity of $4.6 million and net income of $94,000.

The Company considers EIS a variable interest entity, which is not consolidated due to the lack of obligations, rights, and powers described above. EIM accounts for its investment in EIS using the equity method of accounting.

During 2015, EIM formed Energy Captive Management, LLC (ECM) to provide captive management services to EIS. As of December 31, 2023, ECM has assets of $3.9 million, member's equity of $854,000, and net income of $26,000. As of December 31, 2022, ECM had assets of $3.3 million, member's equity of $828,000 and net income of $17,000.

On December 20, 2021, EIM formed Energy Risk Solutions SC, Inc (ERS). ERS is a sponsored captive insurance company domiciled in South Carolina. As of December 31, 2023, ERS has assets of $290,000, member's equity of $288,000 and net loss of $1,000. As of December 31, 2022, ERS has assets of $292,000, member's equity of $289,000 and net loss of $11,000.

Fixed Maturity Securities
Investments in fixed maturity securities are classified as trading and reported at fair value, with changes in fair value reported on the income statement. Purchase premium or discount is amortized to net investment income based on the scientific method.

Equity Securities
Investments in marketable equity securities are carried at fair value. The changes in fair value on equity securities held are reported on the statement of operations.

Note A - Organization and Significant Accounting Policies (Continued)

Alternative Investments
Alternative investments include interests in shares of investment funds (Funds), which are considered non-marketable. Alternative investments are structured such that the Company holds an interest in the Funds and not the underlying holdings of such Funds. The Company's ownership does not provide for control over the related investees, and financial risk is limited to the funded and unfunded commitment for each investment. The Company accounts for the Funds at fair value, with all gains and losses included within net investment income using internal valuation calculations or net asset value where that is a permitted practical expedient.

These alternative investment funds give investors the right, subject to predetermined redemption procedures, to redeem their investments at net asset value. Since the Funds are not actively traded on an exchange, the fair values are subject to judgment and uncertainty.

The financial statements of the Funds are audited annually by independent auditors, although the timing for reporting the results of such audits may not coincide with the Company's financial reporting.

Cash and Cash Equivalents
The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. The Company maintains certain cash and cash equivalent balances that are not subject to Federal Deposit Insurance Corporation. Management does not believe these balances represent a significant credit risk to the Company.

Losses and Loss Adjustment Expense Reserves
The reserve for losses and loss adjustment expenses (LAE) represents the estimated ultimate gross cost of all reported and unreported losses unpaid through December 31. Case reserves represent the estimated future payments on reported losses. Case reserves are continually reviewed and updated; however, given the uncertainty regarding the extent of the Company's ultimate liability, the actual amount may be significantly in excess or below the amount recorded. Supplemental reserves (e.g., IBNR) are recorded based upon actuarial projections.

Although considerable variability is inherent in these estimates, particularly due to the nature of the insured exposures, management believes that the aggregate reserve for losses and LAE is adequate. These estimates are periodically reviewed and adjusted as experience develops or new information becomes known. Such adjustments are included in current operations.

Note A - Organization and Significant Accounting Policies (Continued)

Credit Losses
The Company measures expected credit losses on financial assets held at amortized cost, and records an allowance for credit loss when management determines a credit loss exists. Allowances for credit losses are recorded as contra-assets that reduce the corresponding financial assets on the balance sheet, with the offset recorded as credit losses within the statement of operations. As the estimate of expected credit losses changes, those increases and decreases are recognized in current operations. The Company writes off uncollectible amounts against the allowance for credit losses when it determines that a financial asset is partially or fully uncollectible.

Prior to the adoption of the credit loss standard on January 1, 2023, financial assets reported at amortized cost were reviewed for impairment using an incurred loss model.

Premiums
Direct and assumed premiums are recognized as revenue on a pro-rata basis over the policy term. The portion of premiums that will be earned in the future is deferred and reported as unearned premiums. The Company pays commissions on assumed business, which is initially capitalized and expensed over the life of the policy.

Reinsurance
In the normal course of business, the Company seeks to reduce the loss that may arise from large claims, catastrophes, or other events by reinsuring certain levels of risk in various areas of exposure with other insurance companies. Reinsurance premiums, ceding commissions, loss reimbursement, and reinsurance recoverables on unpaid claims are accounted for on a basis consistent with that used in accounting for the original policies or claims.

The Company measures expected credit losses on reinsurance recoverables on a collective basis based on A.M. Best credit ratings, or on an individual basis when more relevant. An expected credit loss is calculated by first considering the impact of any collateral or credit enhancements related to specific reinsurance recoverables. Management then applies historical default rates to the uncollateralized receivables by credit rating, adjusted for current conditions and reasonable and supportable forecasts. For non-rated reinsurers or reinsurers in default, the credit loss evaluation is a case-by-case analysis that includes credit and collateral analysis and other considerations. Changes in the allowance for credit losses on reinsurance recoverables are recorded as credit losses within the statement of operations. As of December 31, 2023 substantially all reinsurance recoverable amounts are due from reinsurers rated A- or better by A.M. Best. There was no allowance for credit loss on reinsurance recoverables as of December 31, 2023 or 2022.

Note A - Organization and Significant Accounting Policies (Continued)

Premiums Receivable
Premiums receivable are reported net of an allowance for credit losses. The Company measures expected credit losses on premiums receivable on a collective basis through review of aging schedules, or on an individual basis when more relevant. An expected credit loss is calculated based on the Company's ongoing review of amounts outstanding and historical loss data including delinquencies and write offs, and is then adjusted for current conditions. Credit risk is partially mitigated by the Company's ability to cancel the policy for failure to pay the premium. There was no allowance for credit losses on premiums receivable as of December 31, 2023 or 2022.

Deferred Policy Acquisition Costs
Commissions and other costs of acquiring insurance that are directly related to the successful acquisition of new and renewal business are deferred and amortized over the life of the policy to which they relate. These costs are deferred, net of any related ceding commissions, to the extent deemed recoverable.

Income Taxes
Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

The Company and its subsidiaries file a consolidated federal income tax return. Income taxes are allocated based on separate return calculations.

Policyholder Distributions
As a mutual insurer, EIM is owned by its policyholders. Policyholder distributions are released from excess surplus, and are charged to income when declared by the Board of Directors. During 2023 and 2022, the Board of Directors approved the declaration of policyholder distributions in the amount of $0 million and $25 million, respectively.

Subsequent Events
The Company has evaluated subsequent events for disclosure and recognition through February 26, 2024, the date on which these financial statements were available to be issued.

Note B - Insurance Activity

Premium activity for 2023 and 2022 is summarized as follows *(in Thousands of U.S. Dollars)*:

2023	Direct	Assumed	Ceded	Net
Premiums written	$ 402,987	$ 2,556	$ (83,391)	$ 322,152
Change in unearned premiums	(27,100)	(363)	5,807	(21,656)
Premiums earned	$ 375,887	$ 2,193	$ (77,584)	$ 300,496

2022	Direct	Assumed	Ceded	Net
Premiums written	$ 391,715	$ 1,214	$ (72,145)	$ 320,784
Change in unearned premiums	(25,421)	(26)	(8,998)	(34,445)
Premiums earned	$ 366,294	$ 1,188	$ (81,143)	$ 286,339

Activity in the liability for losses and LAE is summarized as follows *(in Thousands of U.S. Dollars)*:

	2023	2022
Gross balance, beginning of year	$ 1,178,465	$ 1,127,868
Less: reinsurance recoverables on unpaid losses and LAE	(477,873)	(523,304)
Net balance, beginning of year	700,592	604,564
Incurred related to:		
Current year	320,953	237,352
Prior years	32,098	(12,828)
Total incurred	353,051	224,524
Paid related to:		
Current year	1,634	3,745
Prior years	120,922	124,751
Total paid	122,556	128,496
Net balance, end of year	931,087	700,592
Plus: reinsurance recoverables on unpaid losses and LAE	541,467	477,873
Gross balance, end of year	$ 1,472,554	$ 1,178,465

During 2023, incurred losses and LAE attributable to events of prior years increased by $32.1 million. The unfavorable development of prior year losses related primarily to prior accident years 2014, 2020 and 2022, which increased by $60 million. This was offset primarily by favorable loss development of $29 million relating to prior accident years 2016, 2019 and 2021.

Note B - Insurance Activity (Continued)

During 2022, incurred losses and LAE attributable to events of prior years decreased by $12.8 million. The favorable development of prior year losses related primarily to prior accident years 2013, 2016, 2018 and 2021, which decreased by $61 million. This was offset primarily by unfavorable development of $51 million that was related to prior accident years 2019 and 2020.

The reconciliation of the net incurred and paid losses development tables to the liability for losses and LAE on the balance sheet as of December 31, 2023 is as follows *(in Thousands of U.S. Dollars)*:

Net liabilities for unpaid losses and allocated LAE	$	906,983
All outstanding liabilities before 2014, net of reinsurance		15,604
Total net liabilities for unpaid losses and allocated LAE		922,587
Reinsurance recoverables on unpaid losses and allocated LAE		541,467
Unallocated LAE		8,500
Gross liability for unpaid losses and LAE	$	1,472,554

The following is information about incurred and cumulative paid losses and allocated LAE, net of reinsurance, total incurred-but-not-reported (IBNR) reserves plus expected development on reported claims, net of reinsurance and the cumulative number of reported claims as of December 31, 2023 *(in Thousands of U.S. Dollars, Except Number of Claims Data)*:

Accident Year	Incurred	Cumulative Paid	IBNR Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
2014	$ 76,665	$ 28,073	$ 3,619	206
2015	182,886	178,812	4,053	209
2016	74,376	71,210	3,130	305
2017	172,929	169,068	3,613	264
2018	205,039	200,912	4,038	218
2019	172,833	158,663	3,834	253
2020	223,404	46,246	65,792	311
2021	136,438	50,670	68,424	272
2022	263,907	14,520	202,460	247
2023	318,314	1,634	209,275	262
Total	$ 1,826,791	$ 919,808	$ 568,238	

Note B - Insurance Activity (Continued)

Methodology for Determining Losses and LAE Reserves: With the assistance of a consulting actuary, generally accepted actuarial reserving techniques are utilized to project the estimate of ultimate losses and LAE at each reporting date. The principal methodologies utilized by management and its consulting actuary to evaluate the reserve estimate include stochastic projection methodologies that estimate a range of outputs corresponding to numerous economic scenarios and traditional loss development methods.

Methodology for Determining Cumulative Number of Reported Claims: Cumulative number of reported claims include open and closed claims by accident year at the claimant level.

The Company uses excess of loss reinsurance to protect against severe losses on the directors and officers, general partner, general liability, and fiduciary liability books of business. After certain deductibles or retentions have been satisfied, the maximum amount that could be recoverable under the 2023 and 2022 reinsurance treaties are $205,200,000 and $208,800,000 with respect to general liability and $102,600,000 and $104,400,000 with respect to directors and officers, general partner, and fiduciary liability, respectively.

During the years ended December 31, 2023 and 2022, the property book of business was reinsured by ten and eight, respectively, different reinsurers. The Company retains $15,000,000 of risk per each loss under the direct coverage. The reinsurers are then liable for net losses of $20,000,000 in excess of the Company's $15,000,000 retention.

Reinsurance ceded contracts do not relieve the Company from its obligations to policyholders. The Company remains liable to its policyholders for the portion reinsured to the extent that the reinsurer does not meet the obligations assumed under the reinsurance agreement. The reinsurance recoverable on paid and unpaid losses is substantially due from National Indemnity Company, Nuclear Electric Insurance Limited (NEIL), and various Lloyds of London syndicates, comprising 24%, 19%, and 13%, respectively, of the balance at December 31, 2023. At December 31, 2022, the reinsurance recoverable on paid and unpaid losses due from NEIL, National Indemnity Company, and various Lloyds of London Syndicates comprised of 31%, 17%, and 14%, respectively. The remaining balance is comprised of amounts due from various reinsurers, each not exceeding 10% of the total for 2023 and 2022.

Note C - Investments

Current accounting guidance establishes a three-level hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets (Level 1), the next priority to quoted prices for identical assets in active markets or similar assets in active markets (Level 2) and the lowest priority to unobservable inputs (Level 3).

Note C - Investments (Continued)

The following table presents the Company's investment securities within the fair value hierarchy, indicating the objectivity and reliability of the inputs used to value those securities at December 31, 2023 *(in Thousands of U.S. Dollars):*

	Total	Level 1	Level 2	Level 3
Fixed maturity securities, trading	$ 1,302,685	$ -	$ 1,302,685	$ -
Equity securities	519,567	519,567	-	-
Alternative investments*	31,756	-	-	31,756
Total	$ 1,854,008	$ 519,567	$ 1,302,685	$ 31,756

*Alternative investments valued using NAV as a permissible practical expedient totaling $354.1 million are not required to be included in the fair value hierarchy table above.

During 2023, the Company invested in a new alternative investment that is not qualified to use NAV as a practical expedient. Management elected to value the investment using the fair value option under GAAP. In estimating fair value, management utilized the exit price as of December 31, 2023 as reported by the investee.

Activity in Level 3 securities during the year ended December 31, 2023 is summarized as follows *(*in Thousands of U.S. Dollars*)*:

Opening balance	$ -
Purchases	25,000
Holding gain	6,756
Ending balance	$ 31,756

There were no transfers into or out of Level 3 during the year ended December 31, 2022.

The net realized gain (loss) on investments for the years ended December 31, 2023 and 2022 is composed of the following *(in Thousands of U.S. Dollars):*

	2023	2022
Net realized gain (loss) on securities sold	$ 6,624	$ (13,285)
Net holding period gain (loss) on securities held, fixed maturity securities	23,305	(115,087)
Net holding period gain (loss) on securities held, equity securities	66,711	(86,181)
Net realized gain (loss) on investments	$ 96,640	$ (214,553)

Note C - Investments (Continued)

The composition of net investment income for the years ended December 31, 2023 and 2022 is composed of the following *(in Thousands of U.S. Dollars):*

	2023	2022
Interest income	$ 49,992	$ 36,327
Dividend income	22,252	19,360
Income from subsidiaries	400	89
Income from alternative investments	11,329	11,480
Other	(50)	(84)
Gross investment income	83,923	67,172
Investment management fees	(5,425)	(5,308)
Interest expense	(39)	(37)
Net investment income	$ 78,459	$ 61,827

At December 31, 2023 and 2022, EIM holds investments with a total fair value of $46 million and $29 million, respectively, in issuers who are also policyholders.

Alternative investments include the following investment categories as of December 31 *(in Thousands of U.S. Dollars)*:

	2023	2022	Redemption Frequency	Redemption Notice Period
Catastrophe reinsurance	$ 38,712	$ 48,692	Quarterly	90 days
High-yield bank loan	146,980	130,001	Monthly	30 days
Core real estate	114,194	140,936	Quarterly	45 days
Industrial real estate	18,571	19,908	Quarterly	60 days
Trade finance	67,423	62,114	Quarterly	45 days
Total	$ 385,880	$ 401,651		

The catastrophe reinsurance class includes funds with investments primarily in portfolios of traditional reinsurance and other insurance-based investment instruments that have returns tied to property and casualty catastrophe risk. In addition, this class may hold cash, treasury bills, and money market funds. The investors in this class have limited redemption rights that may be suspended from time to time.

The high yield bank loan class includes funds that invest in a diversified portfolio consisting primarily of direct or indirect interests in non-investment grade, floating rate bank loans.

The real estate class includes three funds that invest primarily in industrial, retail, office, and multifamily housing.

Note C - Investments (Continued)

The trade finance class consists of short-term loans that support the physical flow of goods while using those same goods within the transaction as primary security.

As of December 31, 2023, there were no unfunded commitments related to these investments.

Note D - Federal Income Taxes

The components of the (provision) benefit for federal income taxes for the years ended December 31, 2023 and 2022 are as follows *(in Thousands of U.S. Dollars)*:

	2023	2022
Current income tax provision	$ (7,662)	$ (13,925)
Deferred income tax (provision) benefit	(11,380)	45,350
Total income tax (provision) benefit	$ (19,042)	$ 31,425

The provision for federal income tax differs from the amount derived by applying the statutory federal tax rates to pretax income for financial reporting purposes due primarily to tax exempt investment income and gains and losses from investments.

Deferred federal income taxes arise from temporary differences between the valuation of assets and liabilities as determined for financial reporting purposes and federal income tax purposes. In 2023 and 2022, the Company measured its deferred tax items at its effective tax rate of 21%.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31 are as follows *(in Thousands of U.S. Dollars)*:

	2023	2022
Deferred tax assets:		
Unpaid losses and LAE	$ 13,651	$ 9,931
Unearned premiums	8,034	6,978
Accrued expenses and other	5,098	4,635
Operating/capital loss carryforwards	-	1,410
Total deferred tax assets	26,783	22,954
Deferred tax liabilities:		
Fair value adjustments on securities, net	(50,648)	(37,614)
Fair value adjustments on alternatives, net	(9,784)	(8,466)
Bond amortization	(2,172)	(1,298)
Other	(276)	(293)
Total deferred tax liabilities	(62,880)	(47,671)
Net deferred tax liability	$ (36,097)	$ (24,717)

Note D - Federal Income Taxes (Continued)

The Company is required to establish a valuation allowance for any portion of the deferred tax asset that management believes will not be realized. The Company has historically been a taxpayer, and in the opinion of management, will continue to be in the future. Management believes that it is more likely than not that the Company will realize the benefit of the deferred tax assets; therefore, no valuation allowance has been established.

During 2003, the Company applied for and was granted an exemption from Barbados income tax by the Minister of Finance under the Duties, Taxes, and Other Payment (Exemption) Act. Federal income taxes incurred by the Company are determined in accordance with the provisions of the Internal Revenue Code.

At December 31, 2023 and 2022, the Company determined there are no material unrecognized tax benefits, and no adjustments to liabilities or operations were required.

Note E - Related Party Transactions

During 2023 and 2022, EIM ceded premiums earned of $819,000 and $400,000 to EIS, respectively. One of the policies ceded to EIS incurred a loss recoverable to EIM in the amount of $4.0 million and $5.4 million as of December 31, 2023 and 2022, respectively. EIS reimburses ECM for certain expenses incurred related to the administration of EIS, plus a service fee.

Note F - Commitments and Contingencies

The Company is named as defendant in various legal actions arising in the normal course of business from claims made under insurance policies and contracts. These actions are considered by the Company in estimating the loss and LAE reserves. The Company's management believes that the resolution of these actions will not have a material adverse effect on the Company's financial position or results of operations.

Note G - Trust Funds and Deposits

The Company has established a trust fund within a federally insured depository. This trust fund serves as security for policyholders and third-party claimants to satisfy requirements for being listed as an alien surplus lines insurer by the National Association of Insurance Commissioners (NAIC). The Company is required to maintain a minimum amount of the lesser of $250,000,000 or $6,500,000 plus 30% of liabilities arising from business on or after January 1, 1998. At December 31, 2023 and 2022, the Company was in compliance with NAIC requirements. These funds have been included in the accompanying balance sheets within fixed maturity securities.

Note H - Line of Credit

The Company has a $75,000,000 line of credit used solely to fund claim payments that are subject to reinsurance recovery. During 2023 and 2022, there were no draws or payments made under the line of credit.

Note I - Retiree Medical Benefits

The Company provides employees with a Post-retirement Medical, Dental, and Vision Plan (the Plan). The Plan is available to retirees (upon fulfilling eligibility requirements), their spouses, and dependents as a continuation of the healthcare plan available to active employees. Current and/or retired employees hired after December 31, 2011, are required to contribute 50% of the medical plan COBRA rate, upon fulfilling the eligibility requirements under the Plan. Employees hired after June 1, 2017 are not eligible under the Plan. The Plan is unfunded.

The assumed discount rate used to determine the benefit obligation is 5.40% for 2023. The assumed healthcare cost trend rate is 6.6% for 2023, trending to 4.0% by 2048. The Company recognized a liability representing the actuarially determined accumulated post-retirement benefit obligation in the amount of $10,635,000 and $13,169,000 as of December 31, 2023 and 2022, respectively, which is included as a component of accounts payable and accrued expenses on the balance sheet.

Note J - Margin of Solvency

In order to meet the requirements of the Laws of Barbados, the Company must have contributed reserves of $22 million. The policyholders' surplus provided an excess margin of solvency of $1.2 billion at December 31, 2023.

Required Supplementary Information

Energy Insurance Mutual Limited

Incurred and Cumulative Paid Losses and Allocated Expenses,
Net of Reinsurance (Unaudited)

The following is information about incurred and paid claims development, net of reinsurance, for years ended December 31 *(in Thousands of U.S. Dollars)*.

	Incurred Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance									
Accident Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
2014	$ 104,082	$ 74,447	$ 66,923	$ 57,845	$ 54,037	$ 44,411	$ 57,989	$ 56,895	$ 58,045	$ 76,665
2015		152,607	172,589	158,105	169,930	182,232	181,740	182,582	182,674	182,886
2016			101,671	87,042	69,607	59,243	58,295	86,190	76,911	74,376
2017				146,429	112,609	144,520	187,525	173,662	169,134	172,929
2018					153,984	232,998	234,396	223,672	202,921	205,039
2019						120,841	138,087	165,064	173,114	172,833
2020							158,615	172,240	209,615	223,404
2021								170,865	155,599	136,438
2022									234,965	263,907
2023										318,314
Total										$1,826,791

Energy Insurance Mutual Limited

Incurred and Cumulative Paid Losses and Allocated Expenses,
Net of Reinsurance (Unaudited) (Continued)

Accident Year	Cumulative Paid Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
2014	$ 1,450	$ 1,986	$ 2,398	$ 13,411	$ 13,474	$ 13,483	$ 14,156	$ 13,987	$ 14,011	$ 28,073
2015		695	141,523	142,183	142,445	143,574	177,661	178,803	178,808	178,812
2016			483	6,555	12,580	45,963	46,042	46,063	71,170	71,210
2017				93	2,270	55,505	117,197	137,417	163,962	169,068
2018					187	194,978	191,809	197,206	200,817	200,912
2019						1	2,434	97,168	120,644	158,663
2020							1,151	2,364	44,789	46,246
2021								186	1,499	50,670
2022									3,745	14,520
2023										1,634
Total										$ 919,808

Reconciliation of incurred to liabilities for losses and loss adjustment expenses, net of reinsurance:

Incurred losses and allocated loss adjustment expenses, net of reinsurance	$1,826,791
Less cumulative paid losses and allocated loss adjustment expenses, net of reinsurance	(919,808)
All outstanding liabilities before 2014, net of reinsurance	15,604
Liabilities for losses and loss adjustment expenses, net of reinsurance	$ 922,587

Energy Insurance Mutual Limited

Average Annual Percentage Payout of Incurred Claims by Age (Unaudited)

The following is the average historical claims duration as of December 31, 2023:

	Average Annual Percentage Payout of Incurred Claims by Age									
Years	1	2	3	4	5	6	7	8	9	10
	0.6 %	21.0 %	18.5 %	16.0 %	6.1 %	6.8 %	9.6 %	- %	- %	18.3 %