

# NAVIGATING CHANGE

CHARTING A COURSE FOR SUCCESS





WEST INDIES

# BARBADOS

FROM VARIOUS AUTHORITIES

1 | Fathoms line | 3  
2 | | 5

B. Bay, C. Cape, H<sup>d</sup> Head, H<sup>r</sup> Harbour, L. Lake, P. Port, P<sup>t</sup> Point, R. River, R<sup>k</sup> Rock.  
m. mud, r. rock, s. sand, sh. shells, st. stones

SOUNDINGS IN FATHOMS

Natural Scale 72,000

CARLISLE





## TABLE OF CONTENTS

<b>2</b>	<b>LETTER FROM THE CHAIR</b>
<b>4</b>	<b>LETTER FROM THE PRESIDENT AND CEO</b>
<b>10</b>	<b>FINANCIALS</b>
<b>28</b>	<b>EIM DIRECTORS</b>
<b>29</b>	<b>BOARD COMMITTEES</b>
<b>30</b>	<b>INSURANCE ADVISORY COMMITTEE</b>
<b>31</b>	<b>OFFICERS</b>
<b>32</b>	<b>MEMBERS</b>



**Marcus V. Brown**  
EIM Board Chair

## LETTER FROM THE CHAIR

It seems that when we talk about energy we are always talking about change. This is due, in large part, to the dynamic nature of the generation, transmission, and distribution of power which is constantly evolving. There is little doubt that the energy industry is in transition as it seeks to achieve decarbonization targets, enhance grid resiliency and security, and invest in renewable energy projects while maintaining existing system infrastructure. EIM, given its parentage, has historically mirrored the evolving excess insurance needs of its members, striving to keep pace with the membership's unfolding risk management landscape and continue delivering meaningful excess of loss insurance solutions.

The 2015 Paris Agreement, adopted internationally by 196 parties, established a net-zero greenhouse gas emissions goal requiring a concerted effort on the part of all energy industry participants if they hope to meet the 2050 deadline established under the treaty. While the Infrastructure Investment Jobs Act, earmarking some \$1.2 trillion for U.S. core infrastructure upgrades, along with the \$369 billion contribution toward renewable energy production included in the Inflation Reduction Act, provide substantial capital within the United States to implement requisite technology advances, electrification initiatives, and other distributed generation innovations, the implications of the Paris treaty are huge, both in scope and in transformative impact.

As an example, transmission infrastructure will need to be reimagined to enable it to carry renewable power from generation sites to load centers. This includes the integration of distributed generation resources such as solar panels, backup generators, and commercial-grade battery storage facilities into traditional distribution systems. As distributed energy resources proliferate, more entry points along the grid are created, making critical grid infrastructure more susceptible to cyberattacks and highlighting system security as an even higher and more complex priority.

When you factor in other variables such as increased use of electric vehicles, virtual power plants, energy storage, digitized system operation, and the promise of artificial intelligence, transformation becomes even more complex, requiring careful planning and effective implementation to ensure ongoing reliability and resilience.

Reliability and resilience are essential in a world that demands 24-7 connectivity and a dependable power service. As the industry moves to accelerate the transition to cleaner energy, it must still maintain existing infrastructure, much of which has been in place for decades and, in some instances, upgrade or retrofit existing facilities. While time is of the essence, it is equally important that change is undertaken responsibly.

Responsible change involves altering previous ways of doing things through a process that encourages teams of professionals to conceive, initiate, and carry through to completion groundbreaking ideas and actions. We are fortunate that adapting and executing have been EIM hallmarks for decades. EIM has embraced adaptability as an immutable tenet of its commitment to member focus, consistently anticipating and responding to the evolving risk management needs within the energy industry. The EIM you see today has evolved from the EIM in place ten years ago and is even more distinct than the EIM operating



ten years before that. The course charted for EIM's ongoing success has been highlighted by incremental change over time rather than rapid revolutionary change, always in step with and reflecting transitions impacting our member company risk management needs.

Change is always easier when navigated through a lens of shared vision and commitment. Mutuality is a powerful collaborative tool. A principal reason EIM has succeeded over the years is its ability to collectively discern the unfolding needs of its membership, taking those requirements on as its own and delivering value-added solutions. Working together, EIM and its members have regularly identified, assessed, and refined EIM products and services to best meet member risk management needs. The mutual concept lends itself to a shared mission – we all want what is best for the membership as a whole – facilitating consensus on values, strategy, and governance that underpin change.

In addition to a shared vision, successful change also requires hard work, insight, and regular oversight. EIM's dedicated energy industry experts and risk management professionals are unwaveringly committed to implementing changes that are designed and laser focused to support members companies. Another aspect of this hard work and insight is the EIM Board where its members have worked hard to ensure that EIM's strategic direction remains on course and that the company continues to offer a financially secure and a responsive risk management platform for members. The impressive EIM track record built over the last 35+ years is a testament to the Board's commitment and the expertise of the Board professionals who give of their time for the collective benefit of EIM's members.

This year we welcomed to the Board Brian Bird, President and Chief Executive Officer, NorthWestern

Energy; Amanda Rome, Executive Vice President and Group President, Utilities and Chief Customer Officer, Xcel Energy; and Dan Tucker, Executive Vice President and Chief Financial Officer, Southern Company. All are experienced energy company executives who understand and support the mutual concept.

We also want to thank retiring board members, Jim Hatfield, Dave Meador, and Rudy Wynter. Jim served as EIM Chair from 2009 – 2012 and as a Board member for more than 25 years. We appreciate their many contributions to EIM's success over the years and will miss their valued presence on the Board.

While the collective efforts of the EIM staff and groups such as the Insurance Advisory Committee are essential to the mutual fabric that is EIM, change would not be possible without EIM's member companies. They are the driving force that makes it possible to navigate change and chart the course for continued success.

On behalf of the Board, I want to thank the membership for its longstanding support as EIM has worked hand in hand with you to identify and address risk management hurdles presented by the ever-changing landscape within the energy industry.





**G. Thomas Bolton, III**  
President and Chief Executive Officer

## LETTER FROM THE PRESIDENT

Warren Buffet once said, “Invest in as much of yourself as you can, you are your own biggest asset.” EIM’s new strategic plan is indeed focused on investing not only in ourselves, but also our biggest asset, our membership. EIM, after all, is only as good as its members. Continuous investment in EIM and its members is paramount to success. EIM’s reenergized strategy emphasizes enhancing member engagement, investing in our people, new technologies, and probably most appropriately preparing for the future.

We all are concerned about the current environment - the impacts of inflation (economic and non-economic), severe weather events, increasing wildfire risk, impact of global unrest, current political environment, etc. As leader of EIM, I am tasked with not only navigating the current tides but more importantly keeping our “eyes up” and preparing for the future.

***“I am excited about the future of EIM and its members and firmly believe we are making a difference in helping the utility and energy industry prepare for the future and meet established clean energy goals.”***

The 2024 Risk Managers Information Meeting, held earlier this year in Tampa, embraced the theme, “Navigating Change – Charting a Course for Success.” This theme is particularly appropriate as both EIM and its members are facing transformational shifts in their respective industries. For members, it includes balancing the transition to clean energy sources while maintaining the reliability, resiliency, and security of existing infrastructure. For EIM, it is capitalizing on new technology to better analyze and quantify risk while providing cost-efficient products and services. The challenge for both will be effectively charting the course to successfully navigate these changing tides.

***“From the beginning, stability, which I define as dynamic, not static, has been an important characteristic of EIM. It is an ever-present consideration in all of the Company’s decisions.”***

*– Gerald Maloney, Founding Director*

Over the past 38 years, EIM has unfailingly highlighted stability, first and foremost, as a long-term objective. Embedded in this commitment to stability, however, is an underlying dynamism that powers a dedication to new ideas and new ways of doing things, that have enabled EIM and its members to chart newfound courses and successfully navigate their way to a more responsive, more successful company.



## HOW ARE WE DOING?

If success is measured in terms of stability, EIM's 2023 year-end policyholders' surplus of \$1.23 billion is a reasonable starting point. After a challenging 2022 where EIM recorded a \$100 million reduction in surplus, the company rebounded in 2023 to achieve a surplus gain of 7.5%, or \$86.0 million

Surplus growth was driven by a return of 8.5% on EIM's investment portfolio, a dramatic turnaround from the -8.1% return in 2022. Investment income totaled \$175 million this year, compared to a loss of \$152.7 in 2022. Offsetting investment income was an underwriting loss of \$70.0 million against underwriting income of \$46.4 million, yielding a combined ratio of 123% compared to 83% in 2022. We have noted to members in past years that investment income and underwriting results often work in tandem to balance out overall financial performance. This year, investment income outstripped underwriting income; the opposite was true in 2022. Continuing to grow surplus that ties to the level of risk EIM is taking from members is a critical success factor and the cumulative steps that leadership has taken have and will continue to enable that effort for the long term.

However, there are storm clouds that continue to linger on prior years reflecting continued claim development. The 2023 net combined ratio of 123% reflects a continuation of increasing frequency and severity of excess of loss claim activity, particularly in EIM's General Liability underwriting portfolio.

### 10-year combined ratio

100%

### 10-year return on surplus (pre-distribution)

70%

### 10-year Member retention

99%

### Highlighting EIM's financial performance over the last ten years, members have received:

- \$2 billion in claim payments
- \$405 million in surplus distributions
- 86% increase in combined growth of surplus and income from investment returns

**All are positive barometers of the mutual advantage.**

First, it has strengthened its balance sheet to match its reserve adequacy. This includes rebalancing the company's investment portfolio to include more fixed income instruments and less equity and alternative risk investments, thereby reducing potential volatility in the overall Company and taking advantage of recent rise in bond yields.

In addition to this rebalancing, and after consultation with the EIM Board and Insurance Advisory Committee, EIM determined to pause the Member distribution for the first time in twelve years. This decision was not undertaken lightly, but only after careful consideration. Expanding capacity for existing lines of business, considering potential new lines of business, and ensuring ongoing financial stability require a strong capital base. A pause in the distribution will assist in meeting these strategic goals and relieve some of the impacts of the volatility driven by the current claims environment. We will continue to evaluate the distribution based on claims performance and capital needs and will provide updates as those results progress to assist members in preparing their budgets.



Second, as EIM advised members in late 2023, the catastrophic damage and resulting claims from wildfires nationwide far outpaced the level of premium we received, requiring us to re-evaluate EIM's exposure to these events. With a pure loss ratio of more than 350%, wildfire risk at the limits and attachment points offered by EIM proved very challenging, to say the least.

EIM is not unique in this respect. Wildfire events have impacted the market for commercial insurers and reinsurers alike.

In consideration of these critical factors, and after consultation with the IAC and subsequent approval by the Board, EIM took the necessary steps to reduce wildfire exposure in all fifty states through reduction of limits, where appropriate and adjusting premiums to be commensurate with the risk.

Although EIM's wildfire coverage has been reduced, capacity on all lines of business remains essentially unchanged. More recently in prior years, EIM increased overall GL limits to \$125M in response to commercial carriers cutting capacity in the energy and utility space and has also moved cyber capacity from \$5M to \$10M, enabling mutuals to collectively offer a significant amount of combined capacity.

Consistent with Gerald Maloney's observation more than 35-years ago, EIM remains today stable, dynamic, well-positioned, and on course to navigate a transforming energy and risk management environment.

## **WHERE ARE WE GOING?**

EIM's future is built on the decisions we make today and the vision of what we want to create going forward. We are poised and ready to evolve with our membership and support their needs, no matter how dynamic the environment of change becomes. That is the guiding star that drives our reenergized strategic plan and will be the measure by which we gauge

success. With the dynamic energy landscape in mind, EIM has reenergized its strategic plan for 2024 and beyond, with a continued focus on financial stability and meeting the evolving needs of members as they undertake initiatives such as investing in clean energy, updating transmission infrastructure, hardening system resiliency and security, and capitalizing on the promise of artificial intelligence. In addition to targeting net combined ratios of 100%, assuring that every dollar spent is used efficiently to pay losses and cover administrative costs, the strategic plan focuses on Meeting Member Needs, Enhancing Member Engagement, Advancing Internal Capabilities, and Our People. All of these initiatives work hand in hand to enhance the others and create a comprehensive strategic plan to guide EIM.



### **MEETING MEMBER NEEDS AND PREPARING FOR THE FUTURE**

The energy transition has dominated headlines as the world races to adopt advanced generation technologies and pressure will continue to mount as data center growth and artificial intelligence (AI) create unprecedented electricity demand. This evolution brings new and expanding risks, but also creates exciting opportunities for continued support of our Members. EIM is committed to understanding Member needs and focus, listening to feedback and ideas, and strategically deploying insurance solutions and services that provide the stability and flexibility needed.



### **ENHANCING MEMBER ENGAGEMENT**

EIM takes a lot of pride in the connections, support, and transparency with our members. With the multi-front initiatives underway in the energy industry, it is important that EIM remains fully engaged with the Membership. This includes capitalizing on existing communication channels such as the many underwriting updates taking place throughout



the year, Mutual Advantage meetings, the yearly Risk Managers Information Meeting, and the annual EIS Policyholder Advisory Committee gathering. The Insurance Advisory Committee, which convenes quarterly and posts meeting updates on the EIM website, offers a forum for sharing of ideas, comments, and suggestions.

EIM recognizes there is an opportunity to build on those and foster stronger and more well-rounded connections by developing new channels to grow our outreach. Our approach will include not only more frequent communications but expanded opportunities to connect on a one-on-one basis and to interact with peers. The EIM membership is a unique and diverse ecosystem, and this engagement strategy is an opportunity for EIM to enable connections and knowledge sharing in a way that is different than what is currently available in the industry.

***“EIM’s members are a key part of the strong foundation of the company and this enhanced Commitment and focus on engagement will serve to strengthen that foundation.”***

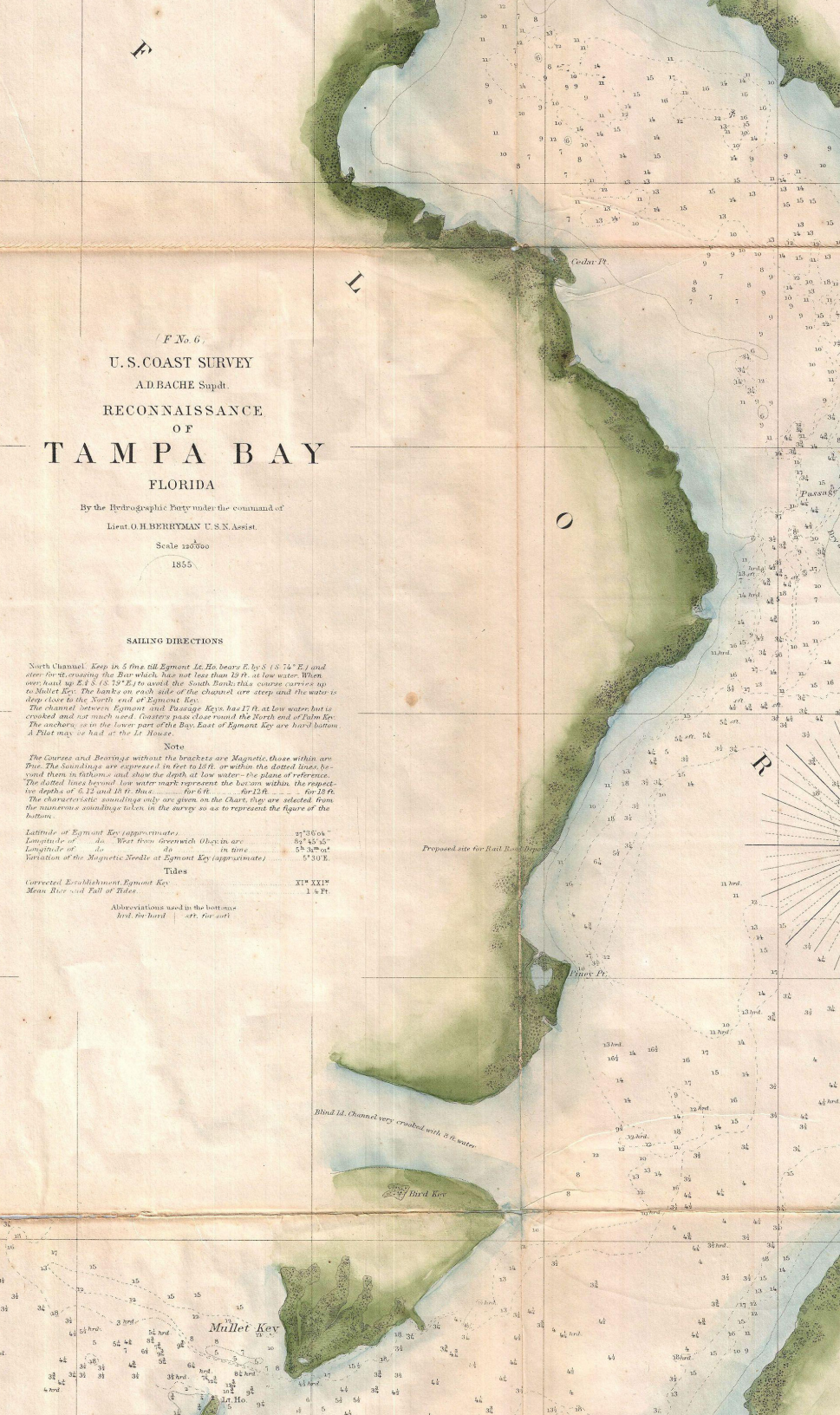


#### **ADVANCING INTERNAL CAPABILITIES**

As was touched on earlier, advancing internal capabilities is a key enabler of the strategic plan. EIM will continue expanding its analytical capabilities to better compile and analyze underlying underwriting and claims data to work with members more effectively on exposure analysis, benchmark pricing, and loss modeling. Having already added in-house actuarial expertise and added to underwriting and claims staff, EIM is also testing artificial intelligence applications.

Supporting, and in some cases, driving those solutions, will be the opportunity to leverage new technology





data analytics, and AI to more accurately address and differentiate risks. There is power in data, and EIM is taking an intentional approach to limit the manual entry of knowledge workers, enhance data integrity, increase efficiency, and gain additional data driven insight into our operations. EIM will not be left behind the technology curve! EIM is laser focused on understanding the challenges driving member needs and utilizing rapidly evolving tools to optimize solutions to those needs.

Recent staffing additions in the strategic planning, risk management, and member relations areas will further enable EIM to create and deliver meaningful input and solutions to member company risk managers.

## OUR PEOPLE

I love the quote “you don’t know what you don’t know.” I am pretty sure we have all experienced this in our professional and personal lives since 2020. At EIM, the best way to address these “challenges” that take you by surprise is to hire the right people. With talent, we can mitigate any kind of unforeseen challenges and more importantly turn those challenges into opportunities.

Hiring and developing talented people is a key element of any strategic plan. Attracting and retaining exceptional staff is challenging at a time when initiatives such as data analytics, cybersecurity and emerging technologies put a premium on experienced professionals.

EIM has been fortunate to augment its staff over the last year, adding underwriting, claims, actuarial, risk management, strategic planning, and marketing expertise. We will continue developing current staff, recruiting qualified professionals, and creating a supportive work environment that encourages career growth and ongoing learning.



The strategic plan contemplates “People” in the broadest sense of the word, encompassing members, risk managers, brokers, mutual company peers, reinsurers, and business partners without whom EIM could not function. Building broad and stronger relationships, capitalizing on the expertise and experience resident in the many relationships that make and define EIM is integral to meeting our strategic plan goals and objectives.

Arthur Ashe once said:

***“ Success is a journey, not a destination. The doing is more important than the outcome.” As we continue navigating the current tides, let’s also remember to think about the future and the evolving definition of success. ”***

Success can be defined in many ways and it’s not always tangible. Relationships based on the mutual concept that evolve into true long-term partnerships are a hallmark of measuring success at EIM. Our reenergized strategy will not be static, will continue to strengthen these bonds, and successfully evolve with the membership to meet the ever-changing risk financing needs. I firmly believe Arthur Ashe was right, and our founders in 1986, I’m sure would agree, that the “journey” or the “doing” is the ultimate definition of success and EIM is committed to and has continued to deliver on that idea.

# FINANCIALS AND NOTES TO THE FINANCIALS

## The Financial Statements To This Annual Report Have Been Approved By The Board Of Directors Of Energy Insurance Mutual Limited



Marcus Brown | EIM Board Chair  
March 1, 2024

### 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.



Jacksonville, Florida  
February 26, 2024

# Energy Insurance Mutual Limited

## Balance Sheets

(Expressed in Thousands of U.S. Dollars)

	As of December 31,	
	2023	2022
<b>Assets</b>		
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

	As of December 31,	
	2023	2022
<b>Liabilities and policyholders' surplus</b>		
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,			Years ended December 31,	
	2023	2022		2023	2022
<u>Underwriting revenue</u>			<u>Investment income (loss)</u>		
Net premiums earned			Net realized gain (loss) on investments	96,640	(214,553)
Direct and assumed premiums earned	\$ 378,080	\$ 367,482	Net investment income	78,459	61,827
Ceded premiums earned	(77,584)	(81,143)	Total investment income (loss)	175,099	(152,726)
Net premiums earned	300,496	286,339			
Ceding commission (loss) income	(140)	199	Income (loss) before policyholders' distribution and income taxes	105,085	(106,364)
Total underwriting revenue	300,356	286,538	Distributions to policyholders	-	(25,000)
			Income tax (provision) benefit	(19,042)	31,425
<u>Underwriting expenses</u>			Net income (loss)	<u>\$ 86,043</u>	<u>\$ (99,939)</u>
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			

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	<u>\$ 1,234,116</u>

## 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)
<b>Cash flows from operating activities:</b>		
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	<u>248,446</u>	<u>153,754</u>

See accompanying notes to the financial statements.



# Energy Insurance Mutual Limited

## Statements of Cash Flows

(Expressed in Thousands of U.S. Dollars)

(Continued)

	Years ended December 31,	
	2023	2022
<b>Cash flows from investing activities:</b>		
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	<u>\$ 147,853</u>	<u>\$ 125,258</u>
<b>Supplemental disclosure of cash flow information:</b>		
Income taxes paid	<u>\$ -</u>	<u>\$ 19,750</u>

See accompanying notes to the financial statements.

# Energy Insurance Mutual Limited

## Notes to Financial Statements

Years ended December 31, 2023 and 2022

### 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.

#### 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.

# Energy Insurance Mutual Limited

## Notes to Financial Statements

(Continued)

### **Note A - Organization and Significant Accounting Policies (continued)**

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.

#### ***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.

#### ***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.



# Energy Insurance Mutual Limited

## Notes to Financial Statements

(Continued)

### Note A - Organization and Significant Accounting Policies (continued)

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.

#### **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.

# Energy Insurance Mutual Limited

## Notes to Financial Statements

(Continued)

### Note B - Insurance Activity

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

<u>2023</u>	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	<u>\$ 375,887</u>	<u>\$ 2,193</u>	<u>\$ (77,584)</u>	<u>\$ 300,496</u>
<u>2022</u>	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	<u>\$ 366,294</u>	<u>\$ 1,188</u>	<u>\$ (81,143)</u>	<u>\$ 286,339</u>

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

	<u>2023</u>	<u>2022</u>
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	<u>700,592</u>	<u>604,564</u>
Incurred related to:		
Current year	320,953	237,352
Prior years	32,098	(12,828)
Total incurred	<u>353,051</u>	<u>224,524</u>
Paid related to:		
Current year	1,634	3,745
Prior years	120,922	124,751
Total paid	<u>122,556</u>	<u>128,496</u>
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	<u>\$ 1,472,554</u>	<u>\$ 1,178,465</u>

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.

# Energy Insurance Mutual Limited

## Notes to Financial Statements

(Continued)

### 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	

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.



# Energy Insurance Mutual Limited

## Notes to Financial Statements

(Continued)

### Note B - Insurance Activity (Continued)

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).

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	<u>\$ 1,854,008</u>	<u>\$ 519,567</u>	<u>\$ 1,302,685</u>	<u>\$ 31,756</u>

\*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.

# Energy Insurance Mutual Limited

## Notes to Financial Statements

(Continued)

### Note C - Investments (Continued)

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	<u>\$ 31,756</u>

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	<u>\$ 96,640</u>	<u>\$ (214,553)</u>

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	<u>\$ 78,459</u>	<u>\$ 61,827</u>

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	<u>\$ 385,880</u>	<u>\$ 401,651</u>		

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.

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.

# Energy Insurance Mutual Limited

## Notes to Financial Statements

(Continued)

### 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	<u>\$ (19,042)</u>	<u>\$ 31,425</u>

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	<u>26,783</u>	<u>22,954</u>
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	<u>(62,880)</u>	<u>(47,671)</u>
Net deferred tax liability	<u>\$ (36,097)</u>	<u>\$ (24,717)</u>



# Energy Insurance Mutual Limited

## Notes to Financial Statements

(Continued)

### 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.

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# Energy Insurance Mutual Limited

## Notes to Financial Statements

*(Continued)*

### **Note I - Retiree Medical Benefits (Continued)**

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.

## Energy Insurance Mutual Limited

### Required Supplementary Information (Unaudited)

### Incurred and Cumulative Paid Losses and Allocated Expenses, Net of Reinsurance

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

Accident Year	Incurred Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance										
	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 Required Supplementary Information (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	<u>\$ 922,587</u>

## Average Annual Percentage Payout of Incurred Claims by Age

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

Years	Average Annual Percentage Payout of Incurred Claims by Age									
	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 %

# EIM DIRECTORS

As of December 31, 2023

**Brian B. Bird**, President and Chief Executive Officer  
NorthWestern Energy

**G. Thomas Bolton, III**, President and Chief Executive Officer  
Energy Insurance Mutual Limited

**Marcus V. Brown**, Executive Vice President and General Counsel  
Entergy Corporation

**Trevor A. Carmichael**, Barrister at Law  
Chancery Chambers, Barbados, West Indies

**Benjamin G. S. Fowke, III**, Chairman and Chief Executive Officer (retired)  
Xcel Energy Inc.

**Kodwo P. Ghartey-Tagoe**, Executive Vice President, Chief Legal Officer  
and Corporate Secretary  
Duke Energy

**Martin J. Lyons, Jr.**, President and Chief Executive Officer  
Ameren Corporation

**Carter M. Reid**, Executive Vice President, Chief of Staff and Corporate  
Secretary and President-Dominion Energy Services (retired)  
Dominion Energy, Inc.

**M. Bridget Reidy**, Executive Vice President, Corporate Operations,  
Exelon BSC (retired)  
Exelon Corporation

**Amanda Rome**, Executive Vice President, Group President -  
Utilities, Chief Customer Officer  
Xcel Energy Inc.

**Dan S. Tucker**, Executive Vice President and Chief Financial Officer  
Southern Company



Brian B. Bird



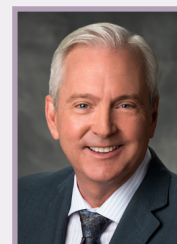
G. Thomas Bolton, III



Marcus V. Brown



Trevor A. Carmichael



Benjamin G. S.  
Fowke, III



Kodwo P.  
Ghartey-Tagoe



Martin J. Lyons, Jr.,



Carter M. Reid



M. Bridget Reidy



Amanda Rome



Dan S. Tucker

# BOARD COMMITTEES

As of December 31, 2023

## AUDIT COMMITTEE

Marty Lyons (Chair)  
Brian Bird (Vice Chair)  
Kodwo Ghartey-Tagoe  
Dan Tucker

## CLAIMS COMMITTEE

Bridget Reidy (Chair)  
Kodwo Ghartey-Tagoe (Vice Chair)  
Carter Reid  
Amanda Rome

## EXECUTIVE COMMITTEE

Marcus Brown (Chair)  
Marty Lyons (Vice Chair)  
Tommy Bolton  
Ben Fowke  
Carter Reid  
Bridget Reidy

## INSURANCE ADVISORY COMMITTEE

Stephanie Crochet (Chair)  
Ronald D. Rispoli (Vice Chair)  
Edsel L. Carlson  
Mariya Coleman  
Arnold Garcia  
Lisa Hough  
Kathy McElwaine  
Michael McFarland  
Randy Murdaugh  
Gordon Payne  
Frank Stanbrough  
D. Timothy Underwood

## INVESTMENT COMMITTEE

Dan Tucker (Chair)  
Brian Bird (Vice Chair)  
Marty Lyons  
Amanda Rome

## NOMINATING COMMITTEE

Carter Reid (Chair)  
Marcus Brown (Vice Chair)  
Ben Fowke  
Kodwo Ghartey-Tagoe  
Bridget Reidy

## REINSURANCE COMMITTEE

Ben Fowke (Chair)  
Marty Lyons (Vice Chair)  
Brian Bird  
Amanda Rome



# INSURANCE ADVISORY COMMITTEE

**Stephanie Crochet**, Director, Risk & Insurance  
Plains All American Pipeline, L.P., Houston, Texas

**Ronald D. Rispoli**, Director, Risk Management/Risk Engineering  
Entergy Services, Inc., Russellville, Arkansas

**Edsel L. Carlson**, Risk Manager  
TECO Energy, Inc., an Emera company, Tampa, Florida

**Mariya Coleman**, Vice President, Insurance & Claims  
Berkshire Hathaway Energy, Salt Lake City, Utah

**Arnold Garcia**, Manager, Insurance  
Duke Energy Corporation, Charlotte, North Carolina

**Lisa Hough**, Director - Legal Operations  
Omaha Public Power District, Omaha, Nebraska

**Kathy McElwaine**, Corporate Insurance Manager, Risk Management  
PJM Interconnection, LLC, Audubon, PA

**Michael G. McFarland**, Director, Enterprise Risk Management  
Great River Energy, Maple Grove, Minnesota

**Randy Murdaugh**, Managing Director, Risk Management  
Associated Electric Cooperative, Inc., Springfield, Missouri

**Gordon Payne**, Director of Risk Management  
Fortis, Inc., St. John's, Canada

**Frank Stanbrough**, Vice President/Continuous Improvement & Optimization  
Southwest Gas Holdings, Inc., Las Vegas, Nevada

**D. Timothy Underwood**, Director, Insurance Risk Management  
CMS Energy Corporation, Jackson, Michigan



*Stephanie Crochet  
Chair*



*Ronald D. Rispoli  
Vice Chair*



*Edsel L. Carlson*



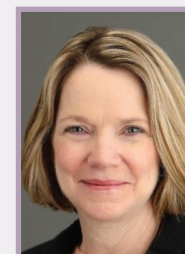
*Mariya Coleman*



*Arnold Garcia*



*Lisa Hough*



*Kathy McElwaine*



*Michael G. McFarland*



*Randy Murdaugh*



*Gordon Payne*



*Frank Stanbrough*



*D. Timothy Underwood*

# EIM, EIS AND ECM OFFICERS

As of December 31, 2023

## EIM OFFICERS

**Marcus V. Brown**  
(Chair)  
Executive Vice President and  
General Counsel  
Entergy Corporation

**Martin J. Lyons, Jr.**  
(Vice Chair)  
President and Chief  
Executive Officer  
Ameren Corporation

**G. Thomas Bolton, III**  
President and Chief  
Executive Officer

**Trevor A. Carmichael**  
Chancery Chambers  
Assistant Corporate Secretary

**Cindy Dobbins**  
Vice President  
Chief Claims Officer

**Jill C. Dominguez**  
Vice President  
Chief Underwriting Officer

**Tanner V. McAndrew**  
Vice President  
Risk Management and  
Corporate Strategy

**Jeffrey M. Tkacz**  
Vice President  
Chief Financial Officer

**Kevin R. Wolff**  
Vice President  
General Counsel and  
Corporate Secretary

## EIS OFFICERS

**Marcus V. Brown**  
(Chair)

**Martin J. Lyons, Jr.**  
(Vice Chair)

**G. Thomas Bolton, III**  
President and  
Chief Executive Officer

**Jeffrey M. Tkacz**  
Vice President  
Chief Financial Officer

**Megan Ogden**  
Vice President  
Chief Operating Officer

**Kevin R. Wolff**  
Vice President  
General Counsel and  
Corporate Secretary

## ECM OFFICERS

**Marcus V. Brown**  
(Chair)

**Martin J. Lyons, Jr.**  
(Vice Chair)

**G. Thomas Bolton, III**  
President and  
Chief Executive Officer

**Jeffrey M. Tkacz**  
Vice President  
Chief Financial Officer

**Tobias P. Burke**  
Vice President  
Chief Accounting Officer

**Kevin R. Wolff**  
Vice President  
General Counsel and  
Corporate Secretary



Marcus V. Brown  
Chair



Martin J. Lyons, Jr.  
Vice Chair



G. Thomas Bolton, III



Trevor A. Carmichael



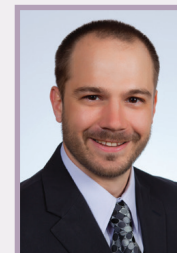
Cindy Dobbins



Jill C. Dominguez



Tanner V. McAndrew



Jeffrey M. Tkacz



Kevin R. Wolff

# EIM MEMBERS

As of December 31, 2023

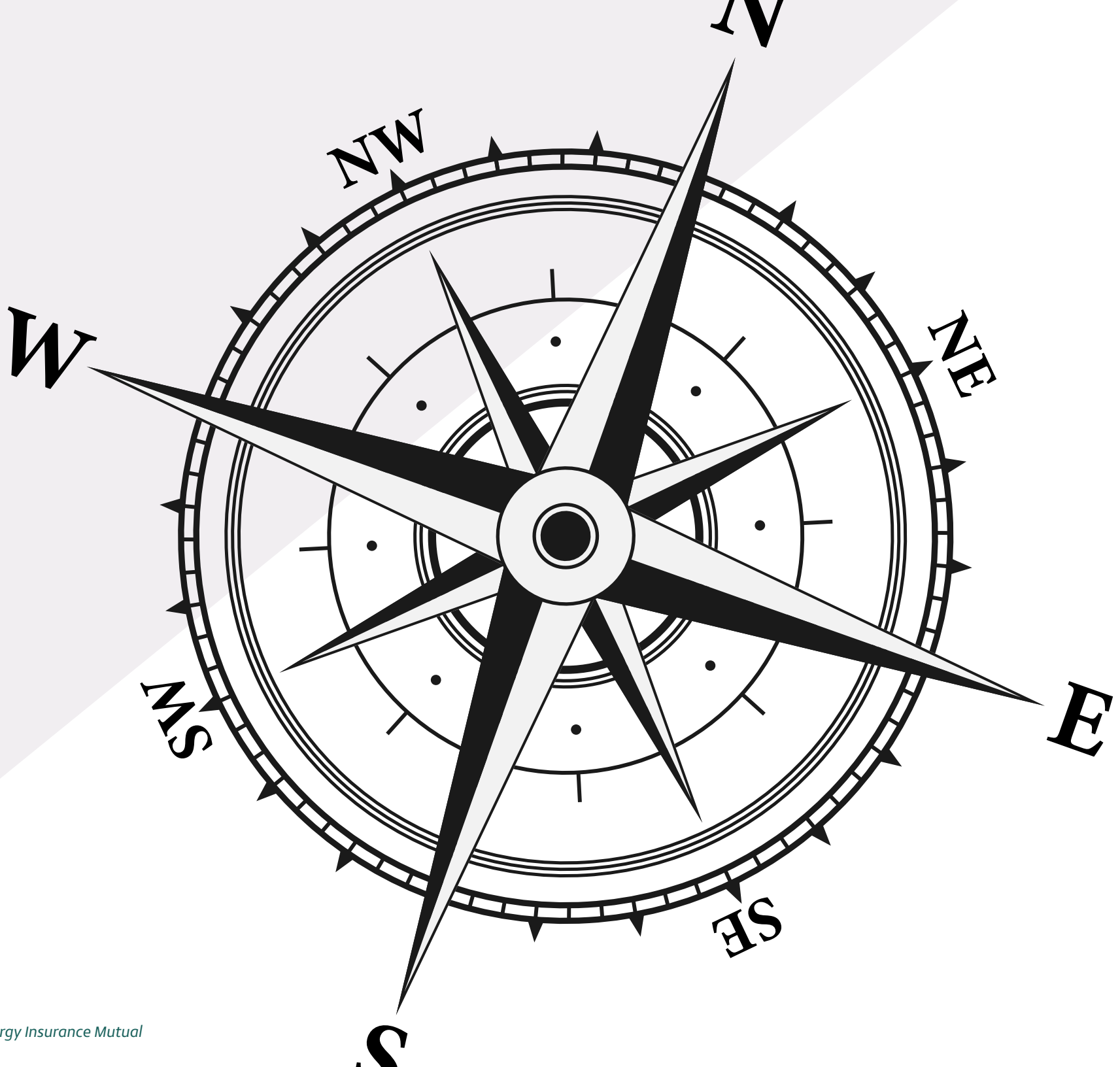
AES Corporation (The)  
Algonquin Power & Utilities Corp.  
ALLETE, Inc.  
Alliant Energy Corporation  
Ameren Corporation  
American Electric Power Service Corporation  
American Water Works Company, Inc.  
Apache Corporation  
Associated Electric Cooperative, Inc.  
Atmos Energy Corporation  
Avangrid, Inc.  
Avista Corporation  
Basin Electric Power Cooperative  
Berkshire Hathaway Energy Company  
Big Horn Datapower Holdings LLC  
Black Hills Corporation  
British Columbia Hydro and Power Authority  
Buckeye Partners, LP  
Buckeye Power, Inc.  
California Independent System Operator Corporation  
Calpine Corp.  
CenterPoint Energy, Inc.  
Central Arizona Water Conservation District  
Chesapeake Utilities Corporation  
Chugach Electric Association, Inc.  
Citizens Energy Group  
City of Richmond, Department of Public Utilities  
City Public Service of San Antonio, Texas  
City Utilities of Springfield, Missouri  
Clearway Energy, Inc.  
Cleco Corporate Holdings LLC  
CMS Energy Corporation  
Colonial Enterprises, Inc.  
Colorado Springs Utilities  
Consolidated Edison Company of New York, Inc.  
Constellation Energy  
Cooperative Energy  
Dairyland Power Cooperative  
Deseret Generation & Transmission Cooperative  
Devon Energy Corporation

District of Columbia Water and Sewer Authority  
Dominion Energy, Inc.  
Doyon Utilities, LLC  
DQE Holdings LLC  
DT Midstream, Inc.  
DTE Energy Company  
Duke Energy Corporation  
East Kentucky Power Cooperative, Inc.  
Edison International  
El Paso Electric Company  
Electric Reliability Council of Texas, Inc.  
Emera Incorporated  
Enbridge Inc.  
Energir, Inc.  
Energy Harbor Corp.  
Energy Transfer LP  
ENMAX US Holdco, Inc.  
Entergy Services, LLC  
EOG Resources, Inc.  
EQT Corporation  
Equitrans Midstream Corporation  
Essential Utilities Inc.  
Eversource Energy  
Exelon Corporation  
FirstEnergy Corp.  
FortisUS Inc.  
GenOn Holdings, LLC  
Grand River Dam Authority  
Great River Energy  
Hawaiian Electric Industries, Inc.  
Hydro One Limited  
Hydro-Quebec  
IDACORP, Inc.  
Imperial Irrigation District  
Inter Pipeline LTD  
Intermountain Power Agency/  
Intermountain Power Service  
Iroquois Gas Transmission System, LP  
ISO New England Inc.  
JEA and FPL d/b/a St. Johns River Power Park  
Kinder Morgan, Inc.  
Long Island Power Authority  
Longview Power, LLC  
Los Angeles Dept. of Water and Power

Malburg Generating Facility  
MDU Resources Group, Inc.  
Metropolitan Water District of Southern California  
MGE Energy, Inc.  
Midcontinent Independent System Operator, Inc.  
Missouri Basin Municipal Power Agency  
d/b/a Missouri River Energy Services  
Modesto Irrigation District  
National Fuel Gas Company  
National Grid plc  
National Grid USA  
Nebraska Public Power District  
New Jersey Resources Corporation  
New York Independent System Operator, Inc.  
New York Power Authority  
NextEra Energy, Inc.  
NiSource Inc.  
Northern California Power Agency  
Northwest Natural Gas Company  
NorthWestern Corporation  
NRG Energy, Inc.  
OGE Energy Corp.  
Oglethorpe Power Corporation  
Ohio Valley Electric Corporation  
Old Dominion Electric Cooperative  
Omaha Public Power District  
Oncor Electric Delivery Holdings Company LLC  
ONE Gas, Inc.  
ONEOK, Inc. & ONEOK Partners, LP  
Ontario Power Generation Inc.  
PG&E Corporation  
Philadelphia Gas Works  
Pinnacle West Capital Corporation  
PJM Interconnection, LLC  
Plains All American Pipeline, L.P.  
PNM Resources, Inc.  
Portland General Electric Company  
PowerSouth Energy Cooperative  
PPL Corporation  
Public Service Enterprise Group Incorporated  
Public Utility District No. 1 of Chelan County

Public Utility District No. 1 of Snohomish County  
Public Utility District No. 2 of Grant County, WA  
Public Utility District No. 1 of Douglas County  
Public Utility Risk Management Services  
Puget Holdings LLC  
REMC Assets, LP  
RGC Resources, Inc.  
Sacramento Municipal Utility District  
Salt River Project Agricultural Improvement and Power District  
Seminole Electric Cooperative, Inc.  
Sempra Energy  
South Carolina Public Service Authority (Santee Cooper)  
Southern Company  
Southern Star Central Corp.  
Southwest Gas Holdings, Inc.  
Southwest Power Pool, Inc.  
Spire Inc.  
STP Nuclear Operating Company  
Suburban Propane Partners, L.P.  
Summit Utilities, Inc.  
Talen Energy Corporation  
Tallgrass Energy, LP  
Taneska, Inc.  
Targa Resources Corp.  
TC Energy Corporation  
Tennessee Valley Authority  
Trans Bay Cable LLC  
Trans Mountain Corporation  
Tri-State Generation and Transmission Association, Inc.  
TSU USA Holdings, Inc.  
UGI Corporation  
Vistra Corp.  
WEC Energy Group, Inc.  
WGL Holdings, Inc.  
Williams Companies, Inc. (The)  
Xcel Energy Inc.





# COMPANY LOCATIONS

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Tobias Burke • [tburke@eimltd.com](mailto:tburke@eimltd.com)

