2014

ANNUAL REPORT

BIG BETS

DON'T NEED TO BE

BIG GAMBLES

EIM®

ENERGY INSURANCE MUTUAL

EIM A WINNING BET

From the President and Chief Executive Officer

The 2015 Risk Managers Information Meeting embraced the theme, "EIM…A Winning Bet" to reflect the long-standing and successful relationship between Member Companies and EIM. The slogan, while accurately portraying a beneficial 29-year undertaking, doesn't identify the specific characteristics that underpin a winning bet or, more importantly, detail the unique elements that contribute to winning propositions.

This Annual Report highlights the efforts of four Member Companies who, like many other EIM members, wagered that investments in innovative generation, transmission and risk management initiatives would turn into winning bets. While different in focus and scope, each of these success stories is connected by common threads. First, each initiative was based upon a comprehensive understanding of the "rules of the game". Second, each effort was undertaken with a clear understanding of the stakes associated with the strategy. And third, each company carefully managed the risks related to their actions.

These three elements — understanding the game, recognizing the stakes, and managing the risk — offer a paradigm for assessing EIM's 2014 performance and gauging the company's prospects for the future.

Understanding the Game

There are few companies better positioned to recognize and address the industry's risk management issues than EIM. Since its founding in 1986, EIM has been singularly focused on the utility and energy services arena, writing thousands of General Liability, Directors and Officers, Fiduciary and Property policies that have provided billions of dollars in excess insurance coverage. With 80% of Member Companies holding a stake in EIM for more than a decade, a retention rate (exclusive of mergers) that consistently tops 97%, the addition of six new members in 2014, and an underwriting staff that averages more than 20 years of industry experience, the level of understanding with respect to excess insurance coverages offered by EIM is unparalleled.

We said goodbye in 2014 to Larry Baccari, Underwriting Manager-Property, who retired after a 43-year career, the last 13 of which were spent with EIM. We are fortunate that, during his tenure at EIM, Larry developed a profitable property portfolio that will continue to thrive for years to come.

OVERALL, EIM IS ACUTELY AWARE OF THE STAKES ASSOCIATED WITH ITS UNDERWRITING AND INVESTMENT ACTIVITIES...

Complementing the company's knowledgeable staff is EIM's Board of Directors, comprised of highly experienced and respected industry senior executives, that regularly reviews the operations of the organization, ensuring that the company remains responsive to Member Company risk management needs. Board membership has remained constant over the last three years, further strengthening the efficacy of the governance process.

Augmenting the Board is the Insurance Advisory Committee (IAC), consisting of risk management professionals who design, update and execute Member Company risk management strategies on a daily basis. The IAC provides regular guidance to EIM on its product mix, coverage terms and conditions, and responsiveness to risk management needs. The 12-member IAC continues to provide valued insights and guidance.

Whether it is governance, industry knowledge, or professional expertise, EIM stands apart as an informed, committed organization that understands the industry, along with the products and services it provides.

Recognizing the Stakes

When EIM was formed almost three decades ago, the stakes were sizeable, both in terms of the capital required to launch the new company, and the types of risk the company was expected to take on. What began as $75 million in original capital grew through 2014 to $1.9 billion in assets and Policyholders' Surplus of $958 million. The current capital base continues to support $100 million General Liability limits, as well as $50 million in Directors & Officers, $25 million in Fiduciary and $35 million in Property limits. Any Member Company availing themselves of EIM's maximum capacity across all lines of business can secure $210 million in excess insurance coverage. Needless to say, the stakes are high.

...PARTICULARLY THE POSSIBILITY OF TAIL EVENTS, BOTH UNDERWRITING AND INVESTMENT-RELATED, THAT CAN HAVE A DRAMATIC IMPACT ON CAPITAL.

In theory, EIM would like to see underwriting results and investment returns contribute equally to the Company's bottom line. In reality, this is a rare occurrence. Over the last five years, only two years (2011 and 2013) provided "balanced return years," with marked divergence in investment and underwriting performance highlighting the three remaining years. In 2014, as an example, 31% of EIM's pre-tax income came from underwriting results, while 69% derived from investments. Given this divergence, it is essential that EIM appreciate and address not only underwriting exposure, but investment risk as well.

EIM focused on this concern in 2014 by regularly monitoring premium adequacy as part of the enterprise risk management process. In addition, EIM ensured premium on any specific policy was commensurate with the coverage provided. On the investment front, EIM adhered to its conservative investment philosophy, paring back equity exposure to 25% and holding more than 70% of its investment portfolio in fixed income assets. Even with this moderate investment approach the investment portfolio reached $1.5 billion in 2014, returning 7.2%.

During 2014 EIM began investing $140 million into two new asset classes, high yield bank loans and real estate. Investments in both classes ($70 million each) will be completed in 2015 and are intended to provide protection against inflation, as well as offering a slightly higher return than fixed income opportunities.

As an excess insurer, EIM's loss ratio can move dramatically from year to year, buffeted by large losses occurring within the company's net aggregate retention.

As set forth in its three-year strategic plan, EIM's risk philosophy is to have no more than a 10% likelihood of losing more than 20% of prior year surplus. The likelihood of a 20% loss of prior year surplus in 2014, including the combined underwriting and investment risk, was less than 1%. Moreover, EIM remained committed to maintaining its goal of having sufficient Policyholders' Surplus to withstand a 1/200TVaR ("tail value at risk") event with enough surplus remaining to maintain an "A" rating by A.M. Best. This benchmark was translated into a 2014 "risk capacity" measure which stood at 127% of target at year end 2014.

Overall, EIM is acutely aware of the stakes associated with its underwriting and investment activities, particularly the possibility of tail events, both underwriting and investment-related, that can have a dramatic impact on capital. These exposures continue to be carefully monitored, and in the event that capital requirements are met or exceeded, EIM can consider enhancing coverage for existing lines of business, allocating capital to new coverages for emerging risks such as cyber-security, or returning capital to Member Companies.

Managing the Risk

With a solid understanding of the industry and an appreciation of the capital at stake, EIM has undertaken meaningful steps to manage its enterprise-wide risk. Until 2002, the Company consistently enjoyed loss ratios well below 100%. With the emergence of industry-wide energy trading losses in 2002, flood losses in 2005, and California wildfire claims in 2007, EIM found the business more challenging, but still managed to deliver loss ratios below 100% in all but six years of its 29-year history. 2014 represented a strong underwriting year, with a 68% net loss ratio accompanied by a 9% net expense ratio producing an overall net combined ratio of 77%.

An integral part of managing this unpredictability is EIM's ongoing commitment to enterprise risk management.

As an excess insurer, EIM's loss ratio can move dramatically from year to year, buffeted by large losses occurring within the company's net aggregate retention. An integral part of managing this unpredictability is EIM's ongoing commitment to enterprise risk management (ERM). Measuring 19 metrics across operational, financial, strategic and insurance risk, EIM's ERM Committee, which reports to the Audit Committee of the EIM Board of Directors, quarterly tracks key measures that assess current health and identifies trends that may negatively impact future performance. Not only does this process underscore indicators that suggest increased risk, but it also highlights opportunities that can be capitalized on by the organization. Energy Insurance Services (EIS) made great progress in 2014 developing its own ERM metrics, which greatly assists EIM as it works closely with newly formed EIM subsidiary, Energy Captive Management, LLC, to administer EIS Mutual Business Programs.

A clearly delineated risk tolerance, supported by a conservative underwriting and investment approach, backed by a robust ERM process, all contribute to reducing EIM's downside risk. This synergy enabled EIM to grow surplus by 8% in 2014 and declare a $20 million distribution to Member Companies. With inception to date distributions now totaling $237 million, and gross claim payments to members now more than $1.8 billion, EIM has clearly managed downside risk while providing a substantial return to Member Companies.

Despite EIM's best efforts to capitalize on upside opportunities while minimizing downside risk, insurance is, by nature, an unpredictable undertaking. The wind blows, courts broadly interpret policy terms and conditions to provide coverage that was never anticipated, and systemic losses sometimes permeate an entire industry. Winning bets, however, have the resiliency to recover from these unexpected events.

MANAGING RISK IS A CRITICAL COMPONENT OF EIM'S THREE-PRONGED APPROACH TO REALIZING AND SUSTAINING A WINNING BET.

Actuarial estimates have consistently concluded that, given EIM's excess of loss risk profile and substantial capital base, "outlier years" (those years where underwriting results, investment returns, or both are in the tail of the loss distribution) should have a relatively short-term impact. As an example, in 2012, after EIM experienced a 149% net combined ratio, it rebounded the following year with a 47% net combined ratio, increasing year-on-year surplus by 8%. Equally significant was the fact that EIM was able to absorb the 2012 net losses and still see surplus grow by $40 million.

Managing risk is a critical component to EIM's three-pronged approach to realizing and sustaining a winning bet. Equally important, however, is the ability to recover from infrequent but extreme events that negatively impact capital. EIM has exhibited the capacity to not only weather negative performance on both the investment and underwriting fronts, but to quickly recover from such events. The company's five-year surplus growth of 47% and ten-year surplus growth of 96% are testament to this fact.

Understanding the game, appreciating the stakes, and managing the risk are all critical components to any successful endeavor. EIM is fortunate to have a membership group, leadership team and dedicated staff who wholeheartedly embrace these principles. When this unwavering commitment is coupled with EIM's strong capital position and solid excess of loss underwriting portfolio, it is clear that EIM has never been better positioned to continue as a "winning bet."

Scott K. Goodell

PRESIDENT AND CHIEF EXECUTIVE OFFICER


GREAT RIVER ENERGY
REDUCING
RISKS
TO INCREASE
THE ODDS
for
SUCCESS

While some may intuitively conclude that "winning bets" are rooted in new products and technology, effective enterprise risk management (ERM) can sway the odds and not only increase the probability of surviving catastrophic events, but also add value to company operations.

Great River Energy has committed substantial time and resources to creating a comprehensive risk-based culture focused on eliminating silos, improving transparency and increasing the comparability of risks. This has enabled Great River Energy to adopt a consistent, company-wide approach to identifying key risks and applying risk management techniques to minimize downside risk. The end result has been a disciplined and proactive management approach to control, mitigate and transfer risk across the company.

Great River Energy has committed substantial time and resources to creating a comprehensive risk-based culture...

Mike McFarland, director, enterprise risk management at Great River Energy, has lived through the convergence of the operational and continuity risk management disciplines. For Great River Energy, it's all about making sure they are in compliance and in control of their operations.

"There are always risks in a distributed, complex business. The key is to tap the vast resources of a company to identify, organize and measure those risks. To remain competitive, we always have to balance our fiscal and fiduciary responsibility and find new ways to make our limited funds go further," observes Mr. McFarland.

Great River Energy has embraced a "bottom up" approach to ERM, calling upon operations leaders to participate in the ERM process and implement risk management measures in the field. This process has not only led to a more integrated, transparent and better informed decision-making environment, but also fostered a more consistent, comprehensive and disciplined approach to managing risk at all levels of the company.

ERM encourages a company-wide dialogue that identifies, measures and prioritizes a broad array of risks, providing risk managers data to support challenging decisions about where to invest, and what level of risk to accept. Once ERM is firmly rooted, the trick is to focus on the "doing"—coordinating and managing many actions related to building and testing ERM capabilities. Risk managers can decide what to do, but it is ultimately operations managers who carry out the strategy. If business units lack a sense of ownership, ERM cannot be effectively implemented.

Great River Energy's ERM process has translated into savings of millions of dollars, ranging from more effective handling of property losses, better inventory management and enhanced control of generation and transmission costs. Equally important, Great River Energy has proactively addressed key operational exposures that have enabled the company to avoid or minimize tens of millions of dollars in operational risk.

... focused on eliminating silos, improving transparency and increasing the comparability of risks.

Over the last seven years, Great River Energy has successfully executed its ERM strategy and created a more efficient and effective risk management process that has been embraced at all levels of the company. The result has been a more proactive risk management approach, more focused risk control and mitigation efforts, and better loss history—all of which have increased Great River Energy's odds for success.

EQT DOUBLING DOWN ON GREEN ENERGY

INITIATIVES

When you are on a winning streak, it is not unusual to "double down" on a winning strategy. EQT Corporation is no exception, taking its commitment to conducting business in a sustainable and environmentally responsible manner to even greater heights. Striving to preserve and protect the land, air and water where EQT operates, the company actively works to meet or exceed all regulatory requirements regarding air quality, water conservation and land reclamation, as well as using "green" technology whenever possible.

IN 2013, 96% OF EQT WELLS UTILIZED GREEN COMPLETIONS, AS DEFINED BY THE UNITED STATES ENVIRONMENTAL PROTECTION AGENCY, SUCCESSFULLY LIMITING THE AMOUNT OF VENTED GAS RELEASED TO THE ATMOSPHERE.

In mid-2012, for example, EQT began exploring the use of natural gas-powered drill rigs and completion equipment at its well sites. Natural gas-powered drilling provides cleaner and quieter operation compared to diesel-powered equipment and, while more costly to build, is less expensive to operate. The major benefit is to the environment, as the rigs running on natural gas emit 20% to 30% less carbon dioxide compared to their diesel counterparts and have a small fraction of the emissions of nitrogen oxides, sulfur oxides and particulates. By using field gas, EQT also dramatically reduces the amount of truck traffic to and from its well sites.

Additionally, EQT routinely applies "green completions" techniques at well sites, which enable EQT to capture the initial gas emitted during the well-completion process instead of releasing it into the environment. In 2013, 96% of EQT wells utilized green completions, as defined by the United States Environmental Protection Agency, successfully limiting the amount of vented gas released into the atmosphere.

As Jessica Lukac, corporate director, business risk & insurance at EQT Corporation points out, "EQT is devoted to 'green' technology whenever possible to protect the environment. Natural gas-powered drills, capturing gas instead of flaring it, water recycling, and using solar power are all 'green' alternatives adopted by EQT in its drilling operations. Each alternative is designed to minimize adverse impact on the environment and to preserve existing ecological and recreational resources. EQT is committed to superior environmental, health and safety performance."

By using EQT-installed stream gauges in tandem with existing U. S. Geological Survey stream gauges, EQT routinely collects nearly 100% of the water associated with completed well operations to reuse with new wells, recycling almost a quarter of a million gallons of wastewater from the Company's drilling activity.

EQT has also added solar power to its green energy portfolio, using solar-powered electronics installed at each EQT production well to complement the solar-powered control equipment located at approximately 95% of EQT's well sites. In those instances where the load is too much for solar, EQT often uses thermoelectric generators powered by natural gas.

By capitalizing on "green" technology, EQT has expanded its environmentally-friendly processes, creating the opportunity for enhanced returns on a winning strategy.

NextEra Energy

Capitalizing on Solar Energy's Winning Proposition

Not only is solar energy environmentally responsible, but it also provides economic benefits and a long-term, predictably priced source of power. Due to rapidly declining solar equipment costs, more efficient technology and certain incentives, the cost of solar energy is becoming increasingly competitive with conventional electric power, making it a winning proposition for everyone.

The combined financial strength and industry expertise has allowed NextEra to plan and develop large energy projects, making it a leader in clean energy.

Since 2009, NextEra Energy Resources, LLC (NextEra) has completed more than 75 megawatts (MW) of distributed generation (DG) solar across eight states for a variety of customers including:

- Public and private schools and universities
- Municipalities
- Hospitals
- Commercial entities
- Investor-owned utilities
- Municipal utilities
- Electric cooperatives

DG solar projects are cooperative ventures, typically using photovoltaic (PV) panels that directly convert sunlight to electricity. Solar arrays are sited on or near a customer's site, and electricity generated by the solar system is consumed by either the local utility or the customer. This offsets a portion of the electricity the customer needs to purchase from its existing energy supplier. While some systems are customer-owned, a large number of DG solar installations are financed under long-term power purchase agreements (PPAs). Under a PPA, the customer makes monthly payments to the system owner for electricity generated by the system, and the system owner finances the installation and ongoing maintenance.

As of January 1, 2014, NextEra's solar portfolio consisted of nearly 600 MW of operating assets. The company's commitment to solar energy includes developing large PV and solar thermal projects as well as developing decentralized solar projects to help businesses, schools, and municipalities realize the benefits of renewable energy. By the end of 2016, NextEra expects to own more than 1,300 MW of operating solar generation, contracted through long-term PPAs.

NextEra has been generating clean energy for more than 25 years. As of January 1, 2014, the company owned and operated more than 18,000 MW of generating capacity, about 95 percent of which is derived from clean or renewable sources. In addition, NextEra is the largest owner and operator of solar and wind power in North America. Its parent company, NextEra Energy, Inc., is a Fortune 200 company with nearly $70 billion in total assets at the end of 2013. NextEra, together with its sister company, Florida Power & Light Company, has been operating power plants for more than 85 years. The combined financial strength and industry expertise has allowed NextEra to capitalize on a winning proposition by planning and developing large energy projects, making it a leader in clean energy.

SEMPRA ENERGY BETTING ON NEW TECHNOLOGY PAYS OFF IN A BIG WAY

For as long as anyone can remember, wildfires driven by hot, dry Santa Ana winds have been a major threat in Southern California. Back in 2007, San Diego-based Sempra Energy's business unit San Diego Gas & Electric Company (SDG&E) took steps, with immediate benefits, to strengthen its overhead electrical system to make the grid more resistant to wind and fire. But it was not until 2014 that a collaborative effort with other stakeholders developed a comprehensive fire threat assessment system designed to help companies and communities evaluate and prepare for potential wildfire activity.

Recognizing just how important a system for identifying wildfire threats could be, SDG&E tackled the problem by applying its technology, intelligence, and resources. But to develop a real solution, the company's leadership realized there needed to be a broad-based effort involving universities, government agencies, business partners, and the U.S. Forest Service. The number of stakeholders created challenges, not the least of which was making sure that they were involved early in the development process.

IN EFFECT, THE INDEX ENABLES THE PUBLIC AND GOVERNMENT AGENCIES TO ASSESS WILDFIRE THREAT LEVELS, AND EVALUATE BOTH INTENSITY AND CONTROLLABILITY IN THE CONTEXT OF THE NWS WARNINGS.

SDG&E initially set out to create a wildfire assessment system with categories similar to those used to rate hurricanes, but soon learned that the Forest Service had been working on a similar project. By sharing ideas and information, a joint team started to build a system that could provide advanced wildfire threat warnings to fire agencies and communities, enabling them to take preventative action before wildfires began.

With detailed records plotting more than 30 years of Southern California hourly weather data, SDG&E reached out to UCLA to turn this wealth of raw data into a meaningful database. This number crunching effort alone took more than one million computing core hours. Meanwhile, SDG&E also hired a team of in-house meteorologists, and installed 161 (and counting) weather stations across its service area, to gather real-time information for use in determining the impact of weather on utility equipment. For the next three years, SDG&E and its partners worked non-stop on the project.

In the fall of 2014, the Santa Ana Wildfire Threat Index was unveiled to the public, enabling fire agencies, other first-responders, and local communities to determine appropriate actions to take based on the likelihood of a catastrophic wildfire fueled by unpredictable Southern California winds. The Index—featuring four threat classification levels from Marginal to Extreme—can be used in combination with National Weather Service (NWS) Red Flag Warnings. In effect, the Index enables the public and government agencies to assess wildfire threat levels, and evaluate both intensity and controllability in the context of the NWS warnings.

The Index has received an overwhelmingly positive response and has become a prime example of what is possible through collaboration and leadership. Everyone from the Mayor of San Diego to a Jordanian delegation has toured SDG&E facilities to learn more about the wildfire technology. The team's improvements in weather modeling have not only given SDG&E a better understanding of how weather, particularly wind, is influenced by the Southern California terrain, but have also benefited forecasters all around the globe.

A strengthened electric system, aggressive fire prevention and suppression techniques, along with a state of the art meteorological network and predictive wildfire threat index, have translated into a winning bet, enabling SDG&E to better manage wildfire threats in Southern California.

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.

Ben Fowke | Chairman of the Board
February 27, 2015

Report of Independent Auditors

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

Report on the Financial Statements

We have audited the accompanying financial statements of Energy Insurance Mutual Limited ("the Company") which comprise the balance sheets as of December 31, 2014 and 2013 and the related statements of income and comprehensive income, changes in policyholders' surplus and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Energy Insurance Mutual Limited at December 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Johnson Lambert LLP

Jacksonville, Florida
February 27, 2015

ENERGY INSURANCE MUTUAL LIMITED

(Expressed in Thousands of U.S. Dollars)

	As of December 31, 2014	2013
ASSETS		
Investments, available-for-sale	**$ 1,417,001**	$ 1,283,067
Alternative investments, fair value method	**37,500**	-
Alternative investments, equity method	**7,838**	5,000
Investment in subsidiary	**2,307**	2,119
TOTAL INVESTMENTS	**1,464,646**	1,290,186
Cash and cash equivalents	**88,857**	81,124
Reinsurance recoverables on unpaid losses	**330,856**	397,130
Reinsurance recoverables on paid losses	**757**	2,427
Prepaid reinsurance premiums	**40,223**	44,085
Accrued investment income	**8,349**	8,416
Receivables for securities sold	**800**	4,112
Premiums receivable	**6,009**	4,794
Deferred policy acquisition costs	**880**	1,021
Income taxes recoverable	**-**	13,937
Other assets	**812**	733
TOTAL ASSETS	**$ 1,942,189**	$ 1,847,965

LIABILITIES AND POLICYHOLDERS' SURPLUS	*As of December 31,* 2014	2013
LIABILITIES		
Reserve for losses and loss adjustment expenses	**$ 712,316**	$ 721,942
Unearned and advance premiums	**114,216**	112,223
Reinsurance premiums payable and funds held for reinsurers	**31,491**	39,578
Net deferred tax liability	**76,900**	57,569
Policyholder distributions payable	**20,000**	20,000
Accounts payable and accrued expenses	**12,457**	10,570
Payables for securities purchased	**53**	1,174
Due to (from) subsidiary	**3,200**	(4,767)
Income taxes payable	**13,256**	-
TOTAL LIABILITIES	**983,889**	958,289
POLICYHOLDERS' SURPLUS		
Accumulated other comprehensive income	**177,403**	142,531
Members' account balance	**780,897**	747,145
TOTAL POLICYHOLDERS' SURPLUS	**958,300**	889,676
TOTAL LIABILITIES AND POLICYHOLDERS' SURPLUS	**$ 1,942,189**	$ 1,847,965

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

ENERGY INSURANCE MUTUAL LIMITED

(Expressed in Thousands of U.S. Dollars)

	As of December 31, 2014	As of December 31, 2013
UNDERWRITING REVENUE		
Net premiums earned		
Direct and assumed premiums earned	**$ 207,983**	$ 198,061
Ceded premiums earned	**(74,021)**	(78,667)
Net premiums earned	**133,962**	119,394
Ceding commission income	**2,450**	2,691
Total underwriting revenue	**136,412**	122,085
UNDERWRITING EXPENSES		
Net losses and loss adjustment expenses		
Gross and assumed losses and loss adjustment expenses	**101,972**	120,207
Ceded losses and loss adjustment expenses	**(10,629)**	(75,175)
Net losses and loss adjustment expenses	**91,343**	45,032
Policy acquisition costs	**1,959**	2,007
Administrative expenses	**11,957**	12,074
Total underwriting expenses	**105,259**	59,113
INCOME FROM UNDERWRITING	**$ 31,153**	$ 62,972

	As of December 31, 2014	As of December 31, 2013
INVESTMENT INCOME		
Net realized gain on investments sold	**$ 4,427**	$ 27,325
Interest and dividends	**38,294**	36,697
TOTAL INVESTMENT INCOME	**42,721**	64,022
Income before policyholders' distribution and income taxes	**73,874**	126,994
Distributions to policyholders'	**(20,000)**	(38,000)
Income before income taxes	**53,874**	88,994
INCOME TAX EXPENSE		
Current income tax expense	**(19,446)**	(21,578)
Deferred income tax expense	**(676)**	(8,401)
Total income tax expense	**(20,122)**	(29,979)
NET INCOME	**$ 33,752**	$ 59,015
COMPREHENSIVE INCOME		
Net income	**$ 33,752**	$ 59,015
Net unrealized gains on available-for-sale securities, net of income taxes of $20,327 and $13,701, respectively	**37,750**	25,444
Less: reclassification adjustment for net gains realized in net income, net of income taxes of $1,549 and $9,564, respectively	**(2,878)**	(17,761)
Other comprehensive income, net of tax	**34,872**	7,683
COMPREHENSIVE INCOME	**$ 68,624**	$ 66,698

ENERGY INSURANCE MUTUAL LIMITED

(Expressed in Thousands of U.S. Dollars)

	Accumulated Other Comprehensive Income	Members' Account Balance	Total
BALANCE AT JANUARY 1, 2013	$ 134,848	$ 688,130	$ 822,978
Other comprehensive income, net of tax	7,683	-	7,683
Net income	-	59,015	59,015
BALANCE AT DECEMBER 31, 2013	142,531	747,145	889,676
Other comprehensive income, net of tax	**34,872**	**-**	**34,872**
Net income	**-**	**33,752**	**33,752**
BALANCE AT DECEMBER 31, 2014	**$ 177,403**	**$ 780,897**	**$ 958,300**

STATEMENTS OF CASH FLOWS

ENERGY INSURANCE MUTUAL LIMITED

(Expressed in Thousands of U.S. Dollars)

	As of December 31, 2014	As of December 31, 2013
NET INCOME	$ 33,752	$ 59,015
Cash flows from operating activities:		
Depreciation	238	201
Amortization of bond premium or discount	6,914	4,521
Net realized investment gain	(4,427)	(27,325)
Deferred income taxes	676	8,401
Changes in operating assets and liabilities:		
Reinsurance recoverable	67,944	113
Prepaid reinsurance premiums	3,862	(3,107)
Due to/from subsidiary	7,967	5,597
Premiums receivable	(1,215)	767
Reserve for losses and loss adjustment expenses	(9,626)	(98,792)
Unearned and advance premiums	1,993	2,244
Reinsurance premiums payable	(8,087)	3,961
Policyholder distributions payable	-	20,000
Accounts payable and accrued expenses	1,887	2,000
Income taxes (payable) recoverable	27,193	(2,732)
NET CASH FROM OPERATIONS	$ 129,071	$ (25,136)

	As of December 31, 2014	As of December 31, 2013
Cash flows from investing activities:		
Cost of investments purchased	$ (604,256)	$ (750,624)
Proceeds from sales of investments	440,614	772,256
Proceeds from maturities of investments	41,498	26,445
Change in payable from purchase of investments	2,191	(4,819)
Income from alternative investments	(1,116)	-
Equity in earnings of subsidiary	(188)	(196)
Purchases of fixed assets	(81)	(215)
NET CASH FROM INVESTING	(121,338)	42,847
Cash flows from financing activities:		
Draws on line of credit	35,000	29,250
Repayments on line of credit	(35,000)	(29,250)
NET CASH FROM FINANCING	-	-
Net change in cash and cash equivalents	7,733	17,711
Cash and cash equivalents, beginning of year	81,124	63,413
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 88,857	$ 81,124
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Income taxes paid	$ 6,150	$ 29,375

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization

Energy Insurance Mutual Limited (the "Company" or "EIM") was incorporated under the Companies Act of Barbados on June 13, 1986. EIM obtained a license to engage in exempt insurance business in accordance with the provisions of the Exempt Insurance Act of Barbados, 1983. On August 12, 2003, the Company applied for, and was granted a license to operate as a Qualifying Insurance Company under the Insurance Act 1992-2 of Barbados.

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 one-third of those members have property policies as well.

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.

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 ("MBP"), 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. Likewise, EIS has no right to the capital and accumulated profits of the MBP cells.

The Company accounts for its investment in EIS using the equity method of accounting because EIM is not the primary beneficiary of EIS' operations.

As of December 31, 2014, EIS has assets (exclusive of assets held in MBPs) of approximately $6.3 million, shareholder's equity of $2.3 million and net income of approximately $188,000. As of December 31, 2013, EIS had assets (exclusive of assets held in MBPs) of approximately $10.1 million, shareholder's equity of $2.1 million and a net income of approximately $203,000.

The Company and EIS file a consolidated federal income tax return. Income taxes are allocated based on separate return calculations. During 2014 and 2013, EIM provided reinsurance to certain EIS cells. For the years ended December 31, 2014 and 2013, premiums earned included $327,000 and $319,000 of premium assumed from EIS, respectively.

Subsequent to year end, EIM formed Energy Captive Management, LLC in the State of South Carolina to provide captive management services to EIS with an initial investment of $500,000.

Investments

Management determines the appropriate classification of marketable fixed-maturity and equity securities at the time of purchase. The Company's policy is to hold securities for investment purposes and, as such, has reported all securities as available-for-sale. Available-for-sale securities are carried at fair value, with the unrealized gains and losses, net of tax, reported in a separate component of policyholders' surplus. Interest and dividends on securities classified as available-for-sale are included in net investment income. Declines in value judged to be other-than-temporary are included as realized losses in the statement of income. The cost of securities sold is based on the specific identification method.

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Alternative investments include interest in shares of investment funds and limited partnership funds ("the Funds"), which are considered non-marketable securities. Alternative investments are structured such that the Company holds a limited partnership interest. 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 Funds often have liquidity restrictions that may apply to all or portions of a particular invested amount. These alternative investments are accounted for under the equity method or the fair value method. Under the equity method, the Company records its proportionate share of investee earnings or losses as a component of net investment income. Under the fair value method, the Company records the investment at the net asset value per share ("NAV") with changes in value recorded directly to investment income.

Pursuant to the fair value guidance, the Company is permitted to estimate the fair value of certain funds on the basis of the NAV per share as provided by the external fund manager or their administrator. These alternative investment funds give investors the right, subject to predetermined redemption procedures, to redeem their investments at NAV. Since there is no active market, the estimated 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 FDIC insurance. 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 represents the estimated ultimate gross cost of all reported and unreported losses unpaid through December 31. Since the Company provides principally high level excess of loss coverage to its members, it is exposed to severe but infrequent claims. Therefore, standard actuarial methods, such as paid loss development, are inappropriate to use. Losses are determined based on projecting average loss and expected number of claims after reviewing historical known losses and claim counts and understanding how exposures to loss have changed over policy periods. Aggregate expected losses are represented by these estimates and theoretical size of loss distribution based upon an actuarial analysis prepared by a consulting actuary.

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, a significant additional liability could develop. Supplemental reserves (e.g., IBNR) are recorded based on actuarial projections. Although considerable variability is inherent in these estimates, particularly due to the limited number of claims to date, management believes that the aggregate reserve for losses and loss adjustment expenses is adequate. These estimates are periodically reviewed and adjusted as necessary as experience develops or new information becomes known. Such adjustments are included in current operations.

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

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

risk in various areas of exposure with other insurance companies. Reinsurance premiums, loss reimbursement and reserves related to reinsured claims are accounted for on a basis consistent with that used in accounting for the original policies or claims.

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 related ceding commissions, to the extent recoverable, and are amortized over the period during which the related premiums are earned.

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.

Policyholder Distributions

As a mutual insurer, EIM is owned by its policyholders. Policyholder distributions are charged to income when declared by the Board of Directors. During 2014 and 2013, the Board of Directors approved the declaration of policyholder distributions in the amount $20 million and $38 million, respectively.

Reclassifications

Certain balances in the 2013 financial statements have been reclassified to conform to the 2014 presentation.

Subsequent Events

The Company has evaluated subsequent events for disclosure and recognition through February 27, 2015, the date on which these financial statements were available to be issued.

NOTE B - INSURANCE ACTIVITY

Premium activity for 2014 and 2013 is summarized as follows (in Thousands of U.S. Dollars)**:**

2014	Direct	Assumed	Ceded	Net
Premiums written	$ 207,362	$ 2,980	$ (77,883)	$ 132,459
Change in unearned premiums	(2,188)	(171)	3,862	1,503
Premiums earned	**$ 205,174**	**$ 2,809**	**$ (74,021)**	**$ 133,962**

2013	Direct	Assumed	Ceded	Net
Premiums written	$ 198,178	$ 1,664	$ (75,560)	$ 124,282
Change in unearned premiums	(1,622)	(159)	(3,107)	(4,888)
Premiums earned	$ 196,556	$ 1,505	$ (78,667)	$ 119,394

NOTE B - INSURANCE ACTIVITY (CONTINUED)

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

	2014	2013
Gross balance, beginning of year	**$ 721,942**	$ 820,734
Less: reinsurance recoverables on unpaid losses	**(397,130)**	(396,510)
Net balance, beginning of year	**324,812**	424,224
Incurred related to:		
Current year	**108,032**	113,249
Prior years	**(16,689)**	(68,217)
Total incurred	**91,343**	45,032
Paid related to:		
Current year	**1,451**	1,527
Prior years	**33,244**	142,917
Total paid	**34,695**	144,444
Net balance, end of year	**381,460**	324,812
Plus: reinsurance recoverables on unpaid losses	**330,856**	397,130
GROSS BALANCE, END OF YEAR	**$ 712,316**	$ 721,942

For the year ended December 31, 2014, incurred losses attributable to events of prior years decreased $16.7 million. The 2014 decrease relates primarily to favorable development of IBNR reserves on general liability coverage from the 2009, 2011 and 2013 accident years, which experienced less than expected claim development.

For the year ended December 31, 2013, incurred losses attributable to events of prior years decreased $68.2 million. The 2013 decrease relates primarily to favorable development of IBNR reserves on general liability coverage from the 2008, 2009, 2010 and 2011 accident years, which experienced less than expected claim development.

The Company uses excess of loss reinsurance to protect the Company from 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 2014 and 2013 reinsurance treaties is $240,000,000 and $210,000,000, respectively, with respect to general liability and $87,000,000 with respect to directors and officers, general partner and fiduciary liability.

NOTE B - INSURANCE ACTIVITY (CONTINUED)

During 2003, the Company entered into a reinsurance arrangement with Nuclear Electric Insurance Limited ("NEIL") whereby NEIL provides excess of loss reinsurance on the directors and officers and general partner book of business for 80% of $20,000,000 in excess of $30,000,000.

The property book of business is primarily reinsured by NEIL. In addition, the Company also has an arrangement with NEIL whereby its non-nuclear property book of business is fronted by EIM.

During 2009, EIM entered into a Reinsurance Treaty Trust Account Agreement ("Trust") with NEIL to collateralize the losses and loss adjustment expenses due to EIM under reinsurance agreements. EIM has been listed as the beneficiary of the Trust. As of December 31, 2014 and 2013, the total fair value of the assets held in the Trust were $1,225,143,000 and $1,247,826,000, which collateralized $102,627,000 and $107,448,000 in reinsurance recoverables on losses and loss adjustment expenses, respectively.

During 2014 and 2013, EIM entered into a reinsurance agreement with Oil Casualty Insurance Limited ("OCIL") providing coverage for 60% and 100%, respectively, of $25,000,000 in excess of $75,000,000 for all general liability policies issued during the year. OCIL secures its obligations through a funds held and/or trust arrangements. As of December 31, 2014 and 2013, the total amount of the funds held account was $25,996,000 and $34,820,000, respectively.

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 NEIL and various Lloyds syndicates, comprising 31% and 22%, respectively, of the balance at December 31, 2014 and 27% and 25%, respectively, at December 31, 2013. The remaining balance comprises amounts from various reinsurers, each not exceeding 11% and 9% of the total for 2014 and 2013, respectively.

Management periodically reviews the financial condition of its existing reinsurers and concludes as to whether any allowance for uncollectible reinsurance is required. At December 31, 2014 and 2013, no such allowances were deemed necessary.

NOTE C - INVESTMENTS

As of December 31, 2014, the cost, gross unrealized gains, gross unrealized losses, other-than-temporarily impaired and fair value of marketable fixed-maturity and equity securities are summarized as follows:

(in Thousands of U.S. Dollars)

2014	Cost or Amortized Cost	Other-than-temporarily Impaired	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury & agencies	$ 49,982	$ -	$ 368	$ (92)	$ 50,258
U.S. state and municipal obligations	478,547	-	27,966	(191)	506,322
Corporate debt securities	121,759	-	3,656	(570)	124,845
Mortgage-backed securities	358,920	(11,217)	7,693	(1,288)	354,108
Domestic equities	97,507	(2,258)	184,498	(404)	279,343
Foreign equities	51,045	(211)	55,475	(4,184)	102,125
Total investments	$ 1,157,760	$ (13,686)	$ 279,656	$ (6,729)	$ 1,417,001

NOTE C - INVESTMENTS (CONTINUED)

As of December 31, 2013, the cost, gross unrealized gains, gross unrealized losses, other-than-temporarily impaired and fair value of marketable fixed-maturity and equity securities are summarized as follows:
(in Thousands of U.S Dollars)

2013	Cost or Amortized Cost	Other-than-temporarily Impaired	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury & agencies	$ 9,448	$ -	$ 67	$ (550)	$ 8,965
U.S. state and municipal obligations	502,449	-	8,897	(11,013)	500,333
Corporate debt securities	141,387	-	4,613	(2,187)	143,813
Mortgage-backed securities	277,997	(12,358)	6,770	(3,948)	268,461
Domestic equities	87,773	(2,258)	157,691	(721)	242,485
Foreign equities	59,754	(403)	62,144	(2,485)	119,010
Total investments	$ 1,078,808	$ (15,019)	$ 240,182	$ (20,904)	$ 1,283,067

The Company's investment guidelines require that no more than 5% of all debt securities may have a below investment-grade bond rating by at least one nationally recognized credit rating agency or the equivalent to the extent possible to determine. As of December 31, 2014 and 2013, the Company is in compliance with its investment guidelines other than the securities deemed to be other-than-temporarily impaired ("OTTI").

The cost and estimated fair value of fixed-maturity securities at December 31, 2014, by contractual maturity, are summarized below (in Thousands of U.S. Dollars). Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Mortgage-backed securities have been aged by their respective maturity dates.

Maturity:	Cost or Amortized Cost	Fair Value
In 2015	$ 22,692	$ 22,753
In 2016-2019	164,097	167,047
In 2020-2024	223,469	229,624
Due after 2024	598,950	616,109
Total fixed-maturity securities	$ 1,009,208	$ 1,035,533

Proceeds from maturities of investments were approximately $41,498,000 and $26,445,000 and proceeds from sales of investments were approximately $440,614,000 and $772,256,000, during 2014 and 2013, respectively. Gross gains of approximately $13,541,000 and $49,666,000 and gross losses of $9,114,000 and $22,341,000, during 2014 and 2013 respectively, were realized on sales.

The Company regularly reviews its fixed-maturity and equity securities portfolios to evaluate the necessity of recording impairment losses for other-than-temporary declines in the fair value. In evaluating potential impairment, management considers, among other criteria: (i) the current fair value compared to amortized cost or cost, as appropriate; (ii) the length of time the security's fair value has been below amortized cost or cost; (iii) specific credit issues related to the issuer such as changes in credit rating, reduction or elimination of dividends or non-payment of scheduled interest payments; (iv) management's intent and ability to retain the investment for a period of time sufficient to allow for any anticipated recovery in value to cost; (v) specific cash flow estimations for certain mortgage-backed securities and (vi) current economic conditions.

Impaired securities are assessed when the decline in fair value is below the amortized cost basis for a specified duration. OTTI losses are recorded in the statement of income and comprehensive income as net realized losses on investments, and result in a permanent reduction of the cost basis of the underlying investment. The determination

NOTE C - INVESTMENTS (CONTINUED)

of OTTI is a subjective process, and different judgments and assumptions could affect the timing of loss realization. For the years ended December 31, 2014 and 2013, the Company determined that no investments were other-than-temporarily impaired.

The following tables show gross unrealized losses and fair values of investments, aggregated by investment category, and the length of time that individual investments have been in a continuous unrealized loss position, at December 31, 2014:
(in Thousands of U.S. Dollars)

	LESS THAN ONE YEAR		ONE YEAR OR MORE		TOTAL	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury & Agencies	$ 11,385	$ 62	$ 935	$ 30	$ 12,320	$ 92
U.S. state and municipal obligations	33,430	97	3,946	94	37,376	191
Corporate debt securities	34,921	307	9,389	263	44,310	570
Mortgage-backed securities	99,347	615	39,764	673	139,111	1,288
Domestic equities	1,649	73	3,083	331	4,732	404
Foreign equities	4,897	231	96,785	3,953	101,682	4,184
Total temporarily impaired securities	$ 185,629	$ 1,385	$ 153,902	$ 5,344	$ 339,531	$ 6,729

The following tables show gross unrealized losses and fair values of investments, aggregated by investment category, and the length of time that individual investments have been in a continuous unrealized loss position, at December 31, 2013:
(in Thousands of U.S. Dollars)

	LESS THAN ONE YEAR		ONE YEAR OR MORE		TOTAL	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury & Agencies	$ 7,551	$ 363	$ 903	$ 187	$ 8,454	$ 550
U.S. state and municipal obligations	221,019	10,764	2,016	249	223,035	11,013
Corporate debt securities	49,429	2,187	-	-	49,429	2,187
Mortgage-backed securities	141,139	3,498	14,807	450	155,946	3,948
Domestic equities	3,623	463	856	258	4,479	721
Foreign equities	6,362	813	19,438	1,672	25,800	2,485
Total temporarily impaired securities	$ 429,123	$ 18,088	$ 38,020	$ 2,816	$ 467,143	$ 20,904

As of December 31, 2014, the Company had 337 fixed-maturity securities with unrealized losses. This included five with aggregate unrealized losses of $55,000, which were 20% or greater than the cost. As of December 31, 2013, the Company had 640 fixed-maturity securities with unrealized losses. Fourteen with aggregate unrealized losses of $397,000, which were 20% or greater than the cost. The Company has evaluated these fixed-maturity securities and believes the unrealized losses are due primarily to temporary market and sector-related factors rather than to issuer specific factors. Management does not intend to sell, and it is more likely than not that the Company will not be required to sell the securities before recovery. The Company does not consider these securities to be other-than-temporarily impaired.

NOTE C - INVESTMENTS (CONTINUED)

The Company's investment objective for equities is to emulate the returns of the S&P 900 and the MSCI EAFE index for its domestic and international equity portfolios, respectively. Of the 1,284 equity securities with unrealized losses, 267 with unrealized losses of $2,337,000 were 20% or greater than the cost and have been in a continuous loss position for longer than a year at December 31, 2014. Of the 732 equity securities with unrealized losses, 131 with unrealized losses of $1,389,000 were 20% or greater than the cost and have been in a continuous loss position for longer than a year at December 31, 2013. The Company has evaluated these securities based on past earnings trends, analysts' reports and analysts' earnings expectations. Management does not intend to sell, and it is more likely than not that the Company will not be required to sell the securities before recovery. The Company does not consider these securities to be other-than-temporarily impaired.

The composition of net investment income is summarized below:
(in Thousands of U.S. Dollars)

	2014	2013
Interest income	**$ 30,892**	$ 31,963
Dividend income	**9,253**	8,132
Income from subsidiary	**188**	198
Income from alternative investments	**1,116**	-
Other	**388**	(163)
Gross investment income	**41,837**	40,130
Investment management fees	**(3,096)**	(2,967)
Interest expense	**(447)**	(466)
Net investment income	**$ 38,294**	$ 36,697

The Company has adopted the accounting guidance for Fair Value Measurements and Disclosures. This statement provides guidance for measuring assets and liabilities at fair value. The market approach was the valuation technique used to measure fair value of the investment portfolio. The market approach was used to value EIM's equity and fixed-maturity securities.

The Company's estimates of fair value for financial assets and financial liabilities are based on the framework established in the Fair Value Measurements and Disclosures accounting guidance. The framework is based on the inputs used in valuation and requires that observable inputs be used in the valuations when available. The disclosure of fair value estimates in the fair value accounting guidance includes a hierarchy based on whether significant valuation inputs are observable. In determining the level of the hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs that reflect the Company's significant market assumptions. The three levels of the hierarchy are as follows:

Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities traded in active markets. Included are those investments traded on an active exchange, such as the NASDAQ Global Select Market.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and market-corroborated inputs. Included are investments in U.S. Treasury securities and obligations of U.S. government agencies, together with municipal bonds, corporate debt securities, commercial mortgage and asset-backed securities, certain residential mortgage-backed securities that are generally investment grade and certain equity securities.

Level 3 – Inputs to the valuation methodology are unobservable for the asset or liability and are significant to the fair value measurement. Material assumptions and factors considered in pricing investment securities may include projected cash flows, collateral performance including delinquencies, defaults and recoveries, and any market clearing activity or liquidity circumstances in the security or similar securities that may have occurred since the prior pricing period.

Fair values are based on quoted market prices when available (Level 1). The Company receives the quoted market prices from a third party, nationally recognized pricing service ("pricing service"). When market prices are not available, the Company utilizes a pricing service to determine an estimate of fair value, which is mainly used for its fixed-maturity investments fair value. The fair

NOTE C - INVESTMENTS (CONTINUED)

value is generally estimated using current market inputs for similar financial instruments with comparable terms and credit quality, commonly referred to as matrix pricing (Level 2). In instances where there is little or no market activity for the same or similar instruments, the Company estimates fair value using methods, models and assumptions that management believes are relevant to the particular asset or liability. This may include discounted cash flow analysis or other income based approaches (Level 3). These valuation techniques involve some level of management estimation and judgment. Where appropriate, adjustments are included to reflect the risk inherent in a particular methodology, model or input used and are reflective of the assumptions that market participants would use in valuing assets or liabilities.

The following table presents the Company's investment securities within the fair value hierarchy, and the related inputs used to measure those securities at December 31, 2014:

(in Thousands of U.S. Dollars)

	Total	Level 1	Level 2	Level 3
Fixed-maturity	**$ 1,035,533**	$ -	$ 1,035,533	$ -
Equities	**381,468**	381,468	-	-
Alternative investments, fair value	**37,500**	-	37,500	-
Total	**$ 1,454,501**	$ 381,468	$ 1,073,033	$ -

There were no transfers between fair value levels during 2014 and 2013.

Several of EIM's policyholders are companies represented in the S&P 900. Consequently, at December 31, 2014 and 2013, EIM holds investments with a total fair value of approximately $19.6 and $14.2 million, respectively, in issuers who are policyholders.

Certain alternative investment funds are accounted for under the equity method, with valuation based on the Company's proportionate share of investee earnings or losses. The remaining alternative investment funds are reported at NAV per share provided by the underlying investment companies and or their fund administrators. The NAV for these funds provides an approximation of fair value and the funds are classified into Level 2 of the fair value hierarchy presented above. In determining the fair value hierarchy level, the Company considers the length of time until the fund is redeemable, including notice and lock-up periods or any other restrictions on the disposition of the investment.

At December 31, 2014, the alternative investment funds include catastrophe reinsurance and high-yield bank loans. At December 31, 2013, the Company held only the catastrophe reinsurance fund.

The catastrophe reinsurance fund results are based largely on global catastrophe reinsurance activity. The high-yield bank loans are funds that invest in a diversified portfolio consisting primarily of direct or indirect interests in noninvestment grade, floating rate bank loans. At December 31, 2014, the Company has unfunded commitments of $32.5 million relating to the high-yield debt funds. Additionally, at December 31, 2014, the Company has unfunded commitments totaling $71 million for investment in two Real Estate Investment Trusts ("REITs"). Subsequent to year end, $5.3 million was funded into one of the REITs. The REITs invest substantially all their assets in industrial, retail, office, multi family housing and other real estate.

The Company may withdraw some or all of its interest in the high-yield bank loans as of the last day of each calendar month upon written notice at least 30 days prior to such redemption date. For the REITs and catastrophe reinsurance funds, the Company may withdraw some or all of its interest quarterly upon written notice of at least 45 days prior to such redemption date.

NOTE D - FEDERAL INCOME TAXES

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)

	2014	2013
Deferred tax assets:		
Unpaid losses and loss adjustment expenses	$ 8,904	$ 8,656
Unearned premiums	5,206	4,803
Accrued expenses	3,019	2,456
Unrealized comprehensive losses in earnings	4,790	5,257
Total deferred tax assets	21,919	21,172
Deferred tax liabilities:		
Unrealized capital gains	95,525	76,747
Premium amortization	2,420	1,582
Other	874	412
Total deferred tax liabilities	98,819	78,741
Net deferred tax liability	$ (76,900)	$ (57,569)

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.

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 asset, 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.

As of December 31, 2014, the Company's tax years for 2011, 2012 and 2013 are subject to examination by the Internal Revenue Service.

NOTE E - 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 loss adjustment expense 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 F - TRUST FUNDS AND DEPOSITS

The Company has established a trust fund with a federally insured depository. This trust fund serves as security for policyholders and third party claimants to satisfy requirements of being listed as an alien surplus lines insurer by the National Association of Insurance Commissioners. The Company is required to maintain a minimum amount of the lesser of $150,000,000 or $5,400,000 plus 30% for liabilities arising from business on or after January 1, 1998. At December 31, 2014 and 2013, the required balance was $150,000,000. In addition, the State of Florida has required the Company to deposit $300,000 as security for the Company's policyholders and creditors. The trust funds and deposit balances have been included in the accompanying balance sheets as available-for-sale investments, including both fixed-maturity securities and equities.

NOTE G - LINE OF CREDIT

A line of credit was established on July 22, 2011 in the amount of $50,000,000. The line of credit is used solely to fund claim payments that are subject to reinsurance recovery. There were no amounts outstanding as of December 31, 2014 and 2013 on the line of credit. Draws and subsequent repayments on the line of credit amounted to $35,000,000 and $29,250,000, during 2014 and 2013, respectively.

NOTE H - 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. Currently the benefits are self insured, with a third party stop-loss reinsurance arrangement. Retirees are not required to make contributions for coverage. The Plan is unfunded.

The assumed discount rate used to determine the benefit obligation is 4.4% for 2014. The assumed healthcare cost trend rate is 7.1% for 2015, trending to 4.5% by 2027. The Company recognized a liability representing the actuarially determined accumulated post-retirement benefit obligation in the amount of $8,627,000 and $7,018,000 as of December 31, 2014 and 2013, respectively, which is included in accounts payable and accrued expenses.

NOTE I - MARGIN OF SOLVENCY

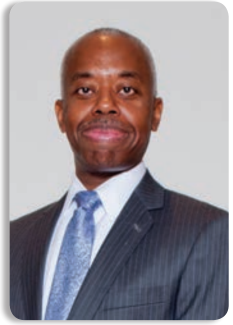
In order to meet the requirements of a Qualifying Insurance Company under the Insurance Act 1992-2 of Barbados, the Company must have contributed reserves of approximately $12 million. The policyholders' surplus provided an excess margin of solvency of approximately $946 million at December 31, 2014.

EIM Directors

Darryl Bradford

Trevor Carmichael

Marian Durkin



Will Evans

Ben Fowke

Scott Goodell

Darryl M. Bradford
Senior Vice President and General Counsel
Exelon Corporation *Chicago, Illinois*

Trevor A. Carmichael
Barrister-at-Law
Chancery House, Chancery Chambers *Bridgetown, Barbados*

Marian M. Durkin
Senior Vice President, General Counsel, and Chief Compliance Officer
Avista Corporation *Spokane, Washington*

Willard S. Evans, Jr.
Retired
Peoples Gas and North Shore Gas *Chicago, Illinois*

Benjamin G. S. Fowke, III
Chairman, President, and Chief Executive Officer
Xcel Energy Inc. *Minneapolis, Minnesota*

Scott K. Goodell
President and Chief Executive Officer
Energy Insurance Mutual *Tampa, Florida*

As of December 31, 2014

EIM Directors


Jim Hatfield


Ed Holland


Darren Olagues


Carter Reid

James R. Hatfield
Executive Vice President and Chief Financial Officer
Pinnacle West Capital Corporation *Phoenix, Arizona*

G. Edison Holland, Jr.
President and Chief Executive Officer
Mississippi Power Company *Gulfport, Mississippi*

Darren J. Olagues
President
Cleco Power LLC *Pineville, Louisiana*

Carter M. Reid
Senior Vice President-Chief Administrative and Compliance Officer and Corporate Secretary
Dominion Resources Services, Inc. *Richmond, Virginia*

Joseph M. Rigby
Chairman, President, and Chief Executive Officer
Pepco Holdings, Inc. *Washington, D.C.*

Charles W. Shivery
Retired
Northeast Utilities *Hartford, Connecticut*

As of December 31, 2014


Joe Rigby


Chuck Shivery

Board Committees

AUDIT COMMITTEE
Willard S. Evans, Jr. (Chairman)
Darryl M. Bradford (Vice Chairman)
G. Edison Holland, Jr. | Darren J. Olagues | Charles W. Shivery

CLAIMS COMMITTEE
Darryl M. Bradford (Chairman)
Carter M. Reid (Vice Chairman)
Marian M. Durkin | Willard S. Evans, Jr. | Joseph M. Rigby

EXECUTIVE COMMITTEE
Benjamin G. S. Fowke, III (Chairman)
Marian M. Durkin (Vice Chairman)
Scott K. Goodell | G. Edison Holland, Jr. | Darren J. Olagues

INSURANCE ADVISORY COMMITTEE
Randall L. Martin (Chairman)
Dean R. Jobko (Vice Chairman)
Edsel L. Carlson | Robert W. Dillard | Julie R. Jackson
Jerry E. Rhoades | Roni A. Salo | Jeremy L. Stephens | Richard N. Stevens
Forrest L. Strachan | Mark A. Webster

INVESTMENT COMMITTEE
Darren J. Olagues (Chairman)
James R. Hatfield (Vice Chairman)
Benjamin G. S. Fowke, III | Carter M. Reid | Charles W. Shivery

NOMINATING COMMITTEE
Charles W. Shivery (Chairman)
Joseph M. Rigby (Vice Chairman)
Darryl M. Bradford | Marian M. Durkin | Scott K. Goodell

REINSURANCE COMMITTEE
Carter M. Reid (Chairman)
James R. Hatfield (Vice Chairman)
Scott K. Goodell | Darren J. Olagues | Joseph M. Rigby

STRATEGIC PLANNING COMMITTEE
Joseph M. Rigby (Chairman)
G. Edison Holland, Jr. (Vice Chairman)
Darryl M. Bradford | Marian M. Durkin | Willard S. Evans, Jr.
Deborah S. Gaffney | James R. Hatfield | Randall L. Martin | Carter M. Reid

As of December 31, 2014

INSURANCE ADVISORY COMMITTEE


Randy Martin


Dean Jobko


Edsel Carlson


Bob Dillard


Julie Jackson

Randall L. Martin, Chairman Managing Director, Risk & Insurance Management
American Electric Power Service Corp., *Columbus, Ohio*

Dean R. Jobko, Vice Chairman Director, Risk Management & Insurance
NRG Energy, *Houston, Texas*

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

Robert W. Dillard Vice President - Risk Management/Insurance
Kinder Morgan, Inc., *Houston, Texas*

Julie R. Jackson Sr. Director, Risk Management & Insurance
Targa Resources Corp., *Houston, Texas*

Jerry E. Rhoades, ARM Risk Manager, Insurance and Claims Risk Management
Portland General Electric Company, *Portland, Oregon*

Roni A. Salo Risk Manager Insurance Services
ALLETE, Inc., *Duluth, MN*

Jeremy L. Stephens, CRM, ARM Manager, Insurance and Risk Management
The AES Corporation, *Indianapolis, IN*

Forrest L. Strachan Risk Manager
PJM Interconnection, LLC , *Norristown, PA*

Richard N. Stevens Director of Finance
Avista Corporation, *Spokane, WA*

Mark A. Webster, CPCU, MBA, CDR USNR (Ret) Manager, Insurance
Duke Energy Corporation, *Charlotte, North Carolina*

As of December 31, 2014


Jerry Rhoades


Roni Salo


Jeremy Stephens


Forrest Strachan


Rich Stevens


Mark Webster

OFFICERS


Ben Fowke


Marian Durkin


Scott Goodell


Tommy Bolton


Jill Dominguez


Robert Schmid


Ann Joslin


Taniyka Ragland


Trevor Carmichael

Benjamin G. S. Fowke, III Chairman of the Board

Marian M. Durkin Vice Chairman of the Board

Scott K. Goodell President and Chief Executive Officer

G. Thomas Bolton, III Vice President, Chief Financial Officer, and Corporate Secretary

Jill C. Dominguez Vice President-Chief Underwriting Officer

Robert P. Schmid Vice President-Subsidiary Operations

Ann M. Joslin Vice President-Claims

Taniyka D. Ragland Assistant Corporate Secretary

Trevor A. Carmichael Assistant Corporate Secretary

As of December 31, 2014

Energy Insurance Mutual Member Report

as of 12/31/2014

AES Corporation (The)
AGL Resources Inc.
ALLETE, Inc.
Alliant Energy Corporation
American Electric Power Service Corporation
American Transmission Company LLC
Apache Corporation
Associated Electric Cooperative, Inc.
Atmos Energy Corporation
Avista Corporation
Basin Electric Power Cooperative
Berkshire Hathaway Energy Company
f/k/a MidAmerican Energy Holdings Company
Bicent Power, LLC
Black Hills Corporation
British Columbia Hydro and Power Authority
California Independent System Operator Corporation
Calpine Corp.
CenterPoint Energy, Inc.
Central Arizona Water Conservation District
Chesapeake Energy 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
Cleco Corporation
CMS Energy Corporation
Consolidated Edison Company of New York, Inc.
Crestwood Holdings Partners LLC
Dairyland Power Cooperative
Deseret Generation & Transmission Cooperative
Devon Energy Corporation
Dominion Resources, Inc.
DQE Holdings LLC
DTE Energy Company
Duke Energy Corporation
Dynegy Inc.
East Kentucky Power Cooperative, Inc.
Edison International
El Paso Electric Company
Electric Reliability Council of Texas, Inc.
Emera Incorporated
Empire District Electric Company (The)
Enable Midstream Partners, LP
Enbridge Inc.
Energen Corporation
Energy Future Holdings Corp.
Energy Transfer Equity, L.P.
Entergy Services, Inc.
EOG Resources, Inc.
EQT Corporation
EquiPower Resources Corp.
Exelon Corporation
FirstEnergy Corp.
Florida Municipal Power Agency
FortisUS Inc.
Gaz Metro Inc.
Great Plains Energy Incorporated
Great River Energy
Hawaiian Electric Industries, Inc.
Hoosier Energy Rural Electric Cooperative, Inc.
Hydro One Inc.
Hydro-Quebec
Iberdrola USA Networks, Inc.
IDACORP, Inc.
Imperial Irrigation District
Independent Electricity System Operator
Integrys Energy Group, Inc.
Intermountain Power Agency/
Intermountain Power Service Corporation
Iroquois Gas Transmission System, LP
ISO New England Inc.
ITC Holdings Corp.
JEA and FPL d/b/a St. Johns River Power Park
Kinder Morgan, Inc.
Laclede Group, Inc. (The)
LDC Funding LLC
Long Island Power Authority
Los Angeles Department of Water and Power
Magellan Midstream Partners, LP
MarkWest Energy Partners, L.P.
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
Mountaineer Gas Company
National Fuel Gas Company
National Grid plc
National Grid USA
New Jersey Resources Corporation
New York Independent System Operator, Inc.
New York Power Authority
NextEra Energy, Inc.
NiSource Inc.
Northeast Utilities
Northwest Natural Gas Company
NorthWestern Corporation
NRG Energy, Inc.
NRG Yield, Inc.
OGE Energy Corp.
Oglethorpe Power Corporation
Ohio Gas Company
Ohio Valley Electric Corporation
Old Dominion Electric Cooperative
Oncor Electric Delivery Holdings Company LLC
ONE Gas, Inc.
ONEOK, Inc.
Ontario Power Generation Inc.
Optim Energy, LLC
Orlando Utilities Commission
Otter Tail Corporation
Pepco Holdings, Inc.
PG&E Corporation
Philadelphia Gas Works
Piedmont Natural Gas Company, Inc.
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. 2 of Grant County, WA
Public Utility District No.1 of Douglas County, WA
Public Utility Risk Management Services
Joint Self-Insurance Fund
Puget Holdings LLC
QEP Resources, Inc.
Questar Corporation
RGC Resources, Inc.
Sacramento Municipal Utility District
Salt River Project Agricultural Improvement and
Power District
SCANA Corporation
SEMCO Holding Corporation
Seminole Electric Cooperative, Inc.
Sempra Energy
Seventy Seven Energy Inc.
Sharyland Utilities, L.P.
South Carolina Public Service Authority
(Santee Cooper)
South Mississippi Electric Power Association
Southern Company
Southern Star Central Corp.
Southwest Gas Corporation
Southwest Power Pool, Inc.
Spectra Energy Corp
Suburban Propane Partners, L.P.
Summit Utilities, Inc.
Tallgrass GP Holdings, LLC
Targa Resources Corp.
TECO Energy, Inc.
Tennessee Valley Authority
TransCanada Corporation
Tri-State Generation and Transmission Association, Inc.
UGI Corporation
UIL Holdings Corporation
Vectren Corporation
Vermont Electric Power Company, Inc.
Westar Energy, Inc.
WGL Holdings, Inc.
Williams Companies, Inc. (The)
Wisconsin Energy Corporation
WPX Energy, Inc.
Xcel Energy Inc.

Energy Insurance Mutual Limited

www.eimltd.com

Bayport Plaza, Suite 550, 3000 Bayport Drive, Tampa, Florida 33607-8418

Telephone: 813-287-2117 or 800-446-2270 • Facsimile: 813-874-2523

Contact:

Scott Goodell, *sgoodell@eimltd.com*

Tommy Bolton, *tbolton@eimltd.com*

Jill Dominguez, *jdominguez@eimltd.com*

Energy Insurance Services, Inc.

307 Falls Street, Suite A, Greenville, South Carolina 29601-2829

Telephone: 864-527-5908 • Facsimile: 864-527-5909

Contact:

Robert Schmid, *rschmid@eimltd.com*

EIM®

2014 Annual Report