



STANDING THE TEST OF TIME
2015 ANNUAL REPORT



The background of the image is a composite. The upper left portion features a close-up of a clock face with large, dark Roman numerals on a light, textured background. The lower right portion shows a sunset or sunrise over a body of water, with a bright, hazy sky and a dark, silhouetted shoreline.

E I M 2015

ANNUAL REPORT

CONTENT

- 2 President's Letter
- 6 American Electric Power
- 8 Exelon
- 10 Southern Company
- 12 WGL
- 14 Financials
- 30 EIM Directors
- 32 Board Committees
- 33 Insurance Advisory Committee
- 34 Officers
- 36 Members
- 37 Company Locations

EMBRACING A STRONG ENTERPRISE RISK CULTURE.

FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

Energy Insurance Mutual will commemorate its 30-year anniversary in 2016, and, in recognition of this milestone, the Company celebrated the theme of “Standing the Test of Time” at its February Risk Managers Information Meeting.

Over the last three decades, EIM members have seen the Company grow from a founding membership of 17 utility companies with \$75 million in capital to a company with 166 Members and \$972 million in policyholders’ surplus.

As EIM’s Chairman, Ben Fowke, noted in his opening comments at the February conference, “Standing the test of time is not something that simply happens. It takes a solid foundation, ongoing commitment and an unwavering dedication to excellence.”

EIM’s ability to stand the test of time is reflected in its capacity to manage volatility and respond to tail events occasioned by catastrophic or systemic losses. 2015 offered a telling example of EIM’s ability to withstand significant loss activity while still increasing policyholders’ surplus.

In the face of \$238 million in gross losses and a turbulent investment environment, EIM was able to grow policyholders’ surplus by \$14 million while achieving a net loss ratio of 96%, returning 2% on its investment portfolio, and maintaining a net expense ratio under 8%.

The underlying dynamics allowing EIM to absorb and rebound from active loss years revolve around a number of factors, including a solid enterprise risk management framework, a strong capital base, prudent investment and underwriting practices, and consistent Member Company support.

SOLID ENTERPRISE RISK MANAGEMENT

The foundation for any organization built to stand the test of time is an enterprise risk management (ERM) process designed to identify, monitor and manage the varied risks attendant to its business activities.

EIM regularly assesses key risks and tracks 19 metrics intended to determine whether key risk exposures remain within the Company's stated risk tolerance.

Encompassing underwriting, investment, operations, finance, and capital adequacy measures, the ERM process increases the probability of stable operating results over extended periods of time. With a stated risk tolerance of operating to no more than a 10% likelihood of losing 20% of policyholders' surplus in any one fiscal year, EIM employs the ERM process to highlight any areas of key risk that may jeopardize this objective. This commitment to a conservative risk management approach, anchored by a disciplined ERM process, permeates all aspects of EIM's operating philosophy.

A STRONG CAPITAL BASE

While generating \$216 million in gross written premium, EIM maintains surplus of \$972 million. With most commercial insurer premium to surplus ratios running in the neighborhood of 1:1, EIM maintains a highly conservative ratio of 1:3.84. Equally important, EIM is committed to maintaining sufficient surplus to withstand a 1:200 tail value at risk (TVaR) event and still maintain an "A" rating from A.M. Best. EIM defines this benchmark as its "risk capacity."

At year-end 2015, EIM's risk capacity stood at 130%. By maintaining substantial capital and surplus, EIM is not only able to withstand significant loss activity in any given calendar or underwriting year, but also rebound strongly from "down" years.

This strong capital base enabled EIM to provide a \$20 million distribution to member companies in 2015, bringing total distributions over the last four years to \$78 million.



A key component to a strong capital base is EIM's core reinsurance program. During its 30-year history, EIM has enjoyed a strong relationship with longstanding reinsurance partners who backstop years where substantial losses are incurred. With aggregate combined General Liability and Directors and Officers reinsured limits of \$327 million, EIM has less than a 1% likelihood of experiencing losses that exhaust its reinsurance protection. Equally important, EIM's current reinsurance structure enables the Company to benefit from strong underwriting years while protecting against years where loss activity spikes.

PRUDENT INVESTMENT AND UNDERWRITING

EIM's commitment to a strong capital base is further reflected in the Company's prudent investment and underwriting practices. In recent years, EIM has pared the equity exposure in its investment portfolio to less than 25% of its invested assets and moved approximately 10% of its portfolio into alternative investments that include high yield bank loans and real estate trusts. As a result, EIM's \$1.5 billion investment portfolio is predominately fixed income assets, balanced by equity and alternative components that offset the risk of inflation or rising interest rates. EIM routinely subjects its investment portfolio to stress testing to determine the impact of tail events on portfolio performance and overall value.

This testing has enabled EIM to tailor its portfolio allocations to achieve marginally higher returns without increasing overall risk. In 2015, where investments provided a total return of 2% in a highly volatile equity market, the portfolio was bolstered by strong alternative investment performance.

EIM is cognizant of the significant limits it offers through its General Liability (\$100 million) and Directors and Officers (\$50 million) policies and carefully monitors both price and attachment points for each line of business.

Where EIM has determined that risk might outstrip potential return, it has regularly taken steps to reduce exposure. In 2008, when California wildfire activity dramatically increased, EIM sub-limited this exposure to \$25 million. The Company continues to review not only California wildfire exposure but wildfire activity outside of California as well. EIM's recent entry into cyber liability coverage includes an annual aggregate limit of \$50 million, and its newly-formed cyber partnership with Nuclear Electric Insurance Limited contains aggregate caps. Likewise, EIM's property portfolio includes an aggregate limit of \$25 million for wind and quake exposures. In short, by carefully assessing the underlying characteristics of its underwriting portfolio, EIM is able to offer consistent pricing in the face of a cyclical commercial market and, where necessary, can adjust limits, attachment points or net retentions to ensure that premium is reflective of risk.

CONSISTENT MEMBER COMPANY SUPPORT

A key element of EIM's ongoing stability is Member Company support.

Despite continued industry consolidation in 2015, EIM achieved a 98% retention rate (exclusive of merged companies) and welcomed seven new Members.

Without the continued loyalty of Member Companies, EIM could not have enjoyed the success it has experienced over the last three decades, nor could it have provided the stable capacity and substantial loss payments that have defined the Company since its founding.

Integral to Member Company support is the leadership and insight provided by EIM Board members, together with the guidance and feedback provided by the Insurance Advisory Committee and Member Company risk managers. EIM is only as strong as the allegiance of its membership. Equally important is the exceptional performance of EIM, Energy Insurance Services, Inc. and Energy Captive Management, LLC staff who so effectively carry out the Member Company vision and mission.

For 30 years, these four defining characteristics have enabled EIM to consistently grow surplus, offer meaningful excess of loss insurance limits and pay more than \$1.9 billion in losses to Member Companies, while returning \$258 million in capital in the form of annual distributions.

As EIM enters the final year of its current three-year strategic plan, the Company is poised to exceed \$1 billion in policyholders' surplus, almost 4% higher than projected at the strategic plan's inception in 2014.

The three-year net loss ratio is on track to better the 90% target, while EIM's net expense ratio and net written premium are also expected to beat forecast. These results are a testament to the strong enterprise risk culture embraced by EIM and the steadfast support provided by Members Companies, traits that provide a solid foundation on which to continue standing the test of time.



A handwritten signature in black ink, appearing to read 'Scott Goodell'.

Scott K. Goodell
PRESIDENT AND CHIEF EXECUTIVE OFFICER

AMERICAN ELECTRIC POWER

MORE THAN A CENTURY OF INNOVATIVE SOLUTIONS.



For American Electric Power (AEP), standing the test of time hasn't meant sticking to established processes or timeworn technologies. The electric utility company has embraced innovation for 110 years—developing breakthroughs to enhance the quality of life for customers, create consistent value for investors and provide groundbreaking solutions for the industry. It is how AEP lives up to its promise as America's Energy Partner.

A BOLD MOVE TOWARD ENERGY EFFICIENCY

BOLD™ Transmission is an ideal example of AEP's forward thinking. AEP engineers developed the next-generation transmission line design with BOLD™ (Breakthrough Overhead Line Design) to address the challenges of siting large

infrastructure. BOLD's lower profile tower is a preferred design because of its electrical efficiencies that can reduce right-of-way land needs. BOLD's value is significant, especially to replace aging infrastructure throughout the United States. BOLD Transmission, which holds patents in the U.S. and Canada, has patents pending in Mexico, South Korea, China and the European Union, and is being marketed globally.

*It is how AEP lives up to its promise,
as America's Energy Partner.*

ENGAGING EMPLOYEES

AEP believes a strong and healthy culture is essential to helping its employees understand how they contribute to the company's ability to achieve its goals. AEP's focus on culture is fostered by collaborative, supportive leaders who provide timely feedback and recognition, and continuously engage their employees. One way AEP engages employees is through continuous improvement initiatives that lead to process changes, waste elimination and cost savings that have sustainable positive bottom line impacts.

REPOSITIONING FOR THE FUTURE

Technology and having a balanced, affordable energy mix are essential to a reliable, secure supply of electricity. AEP is transforming its resource mix to be more diverse by adding natural gas and renewable generation. Experienced at owning, operating and maintaining large-scale energy infrastructure, Indiana Michigan Power Company is building four new universal solar facilities in Indiana—a first for AEP. The four facilities will have a combined capacity of 14.7 megawatts. AEP has contracted for over 3000 MWs of wind and solar via power purchase agreements (PPAs) and plans to own more in the future.

AEP's commitment to enhancing the customer experience includes its interactions with customers. AEP is developing a long-term plan to increase its online presence that would allow for expanded monitoring, reporting and analysis of the communication channels used by customers. For four years in a row, the J.D. Power Utility Website Evaluation Study ranked AEP's customer websites as the best in the industry.

AEP's smart grid initiative is the foundation for providing advanced grid infrastructure that is needed to realize the potential benefits of a modern grid. AEP is deploying smart grid technologies across its service territory. AEP has installed more than 1.6 million smart meters across its system with plans to install an approximately 900,000 additional meters.

RISK MANAGEMENT ADVANCES FORWARD-THINKING

According to Lisa Groff, Managing Director Risk and Insurance Management, "AEP's objective is to be able to make investments and grow the business and not be forced to respond to unexpected losses by dipping into capital reserves or other financial resources which impact our strategy. Also, AEP is developing the capability to analyze the data to make the retain/transfer/mitigate decisions with complete information and transfer the risks to others when economic and efficient to do so." Lisa has more



Lisa Groff



than 20 years of experience in risk management in the energy industry including 15 years in AEP's Credit Risk Group, supporting trading and marketing activities.

GIVING BACK THROUGH CORPORATE GIVING

Corporate giving is an important part of building strong communities. AEP's main areas of focus are education, basic human needs, such as hunger and housing, safety and health, and the environment. In 2015, AEP and the American Electric Power Foundation donated approximately \$13.5 million to support 1,800 community organizations. AEP's signature program—Credits CountSM—is a five-year dual enrollment program to help high school students pursue college-level STEM (Science, Technology, Engineering, Mathematics) education and careers while completing their high school diploma. Since launching in 2013, the AEP Foundation has committed more than \$11 million over multiple years in five states.

EXELON

A SOLID FUTURE BUILT ON A SUCCESSFUL PAST.

Exelon is a leading U.S. competitive energy provider with one of the nation's cleanest, lowest-cost generation fleets and some of the largest competitive retail and regulated customer bases in the United States. The company's core businesses—power generation, energy sales and utilities—have provided a stable base for exploring promising new opportunities like wind and solar. In addition, a careful balance of regulated and unregulated businesses has enabled Exelon to build a strong business model for growth and diversity.

EMBRACING CHANGE COMPANY-WIDE

Exelon's culture of shared principles remains dedicated to four key areas, where well-timed changes help it maintain industry leadership:

Safety – Exelon has made an ironclad commitment to send every employee home safely each night. A recently revamped safety program has delivered a consistent decline in OSHA incident rates.

Excellence – Performance records back up Exelon's commitment to promoting a culture that helps people excel—whether that means achieving consistent, industry-leading availability factors at nuclear power plants or modernizing the electric grid.

Innovation – Reliable and affordable power has now become the bare minimum for customer satisfaction. To give customers the power to choose, Exelon has expanded its offerings to include options for money-saving, customization and reducing the carbon footprint.

An Inclusive and Diverse Team – Exelon's values are lived by the company's diverse, but inclusive team of 34,000 employees. Team members draw from varied individual backgrounds to help Exelon effectively weather current economic challenges, while planning for the future.

ACCELERATING FUTURE SUCCESS

In 2015, Exelon businesses delivered impressive results. Each of its utilities maintained top-quartile performance for its customers. In addition, the company earned placement on the Dow Jones Sustainability Index for North America for the 10th consecutive year, and has been named to the Carbon Disclosure Project's Leadership Index for climate change transparency for six consecutive years.

Exelon hopes to build on this success to accelerate the transition to clean energy. The company is also investing in emerging markets and technologies to enable it to thrive as the industry undergoes

fundamental changes. At the same time, Exelon continues to invest in core markets, bringing together top-performing electric and gas utilities to create the leading mid-Atlantic energy provider.

MAKING RISK MANAGEMENT PART OF THE PLAN

As the company continues to invest in new technologies, risk management becomes a key enabler. According to Michael Mee, Director, Insurance, “Exelon’s Enterprise Risk Management Group integrates risk analytics into the company’s strategic and business planning process. This ensures the preservation of core assets as we expand into promising and more diversified ventures.”



Michael Mee

Simply put, the more efficiently the company mitigates risks, the greater it succeeds in meeting its ongoing diversification objectives.



A HISTORY OF GENEROSITY

Exelon has a solid history of promoting quality of life initiatives in education, the environment, arts and culture. In 2015, Exelon volunteers contributed more than 129,000 hours to charitable causes and Exelon gave \$36.7 million to nonprofits companywide.

Its efforts have included a \$5 million contribution to Chicago’s 606, an old rail line converted to green space, along with a grant used to design educational programs for the 25 schools located along the line. In a joint effort with ComEd and the United Way of Metropolitan Chicago, Exelon has helped fund the Stay in School Initiative since 2005.

Employee volunteers have also contributed their time for one-on-one mentoring through the program.

For Exelon, bridging a solid past with an equally promising future has been a win-win proposition for both the company and the communities it serves.

SOUTHERN COMPANY

MEETING THE REGION'S NEEDS, "SOUTHERN STYLE."

A unique set of behavior and values has earned Atlanta-based Southern Company more than 4.5 million customers, approximately 46,000 megawatts of generating capacity and bragging rights as the premier energy company serving the Southeast through its subsidiaries. The company owns electric utilities in four states, a growing competitive generation company, as well as fiber optics and wireless communications. It credits its long-term success to excellent customer service, high reliability, affordable prices and something it dubs, its unique "Southern Style."

According to Ed Holland, President and CEO of Southern Company Holdings, Sr. Vice President of Southern Company Services and



Ed Holland

current director of EIM, "Southern Company is an industry leader in providing clean, safe, reliable and affordable energy. By developing the full portfolio of energy resources — including nuclear, 21st century coal, natural gas, renewables and energy efficiency — and creating new products and services, Southern Company is inventing America's energy future for the benefit of customers."

INVENTING AMERICA'S ENERGY FUTURE

Using industry-leading innovation, Southern Company subsidiaries are inventing America's energy future through a diverse portfolio of energy resources. These include nuclear, 21st century coal, natural gas, renewables, as well as a number of new products and services. The company's four-pronged approach emphasizes clean, safe, reliable and affordable energy; reduction of its environmental impact; good stewardship; and a substantial investment in its employees.

The latter has earned Southern Company a long list of accolades. Among them, distinction as a top military employer by the U.S. Department of Defense and G.I. Jobs magazine, a spot on Black Enterprise magazine's list of 40 Best Companies for Diversity and Hispanic Network distinction as one of the 2014 Top Employers for Hispanics.

Additionally, the company's commitment to nuclear development has merited the 2014 National Award of Nuclear Science and History from the National Atomic Museum Foundation. Most notably, *Fortune* magazine has named Southern Company to its 2016 "World's Most Admired Companies" list, marking the seventh consecutive year the company has earned recognition among the publication's top three utilities worldwide. *Fortune*

recognized Southern Company as an industry leader for its quality of management, value as a long-term investment, the quality of products/services offered and its innovation.

A SOUTHERN STYLE CULTURE

Believing that the actions of its people are integral to its reputation, Southern Company has created a culture of unquestionable trust, superior performance and total commitment to employee success. To this end, the company has made substantial investments in the areas of safety, opportunity, stability, challenge and diversity. Southern Company employees seem to appreciate the company's efforts. The current employee tenure rate averages an impressive 17 years.

ENERGIZING THE REGION

Generating electricity to 4.5 million people makes Southern Company a key influencer in the region it serves. The company considers this an important responsibility. It works hard to keep electricity costs manageable, particularly for businesses requiring solutions to lower operating costs. Overall, the company's affordable options play a key role in keeping the entire region globally competitive.



Southern Company's success has also resulted in corporate and foundation support for a wide range of community causes. These include arts and culture, health and human services, civic and community projects, safety, education and the environment. Total giving, including all company subsidiaries, exceeded \$41 million in 2014. Conservation of the environment alone has received nearly \$11.6 million over the past decade.



Overall, the company's affordable options play a key role in keeping the entire region globally competitive.

LIGHTING THE WAY TO A BRIGHTER FUTURE

Southern Company continually evaluates risk scenarios involving interrelated factors such as fuel market conditions and prices, as well as environmental requirements, including possible climate change regulation. This information helps the company work with regulators to develop action plans addressing both short- and long-term implications.

The process ensures reliable, affordable service as the company adapts to changing conditions. It's a strategy that has successfully served Southern Company and its subsidiaries—and even more important, their customers, employees, investors and communities—for well over a century.



THE ENERGY TO CHANGE WITH THE TIMES.

WGL has not only recognized industry change, it has embraced it. The company has worked hard to effectively align its utility-based strengths with evolving customer needs, adopting new technology to give customers greater control over energy use. A diverse portfolio of solutions includes natural gas, electricity, green power, carbon reduction, distributed generation and energy efficiency.

GROWTH ROOTED IN CORE EXPERTISE

Although WGL began as a natural gas provider 167 years ago, it has since branched out through WGL Energy Systems, providing distributed generation and energy efficiency solutions for commercial, campus and government accounts; WGL Energy Services for natural gas, electricity, wind/renewable energy credits and carbon offsets in competitive energy markets; and WGL Midstream, a natural gas storage and transportation business serving the wholesale market.



While these businesses deal in diverse types of energy, they all remain true to the company's core expertise—the ownership and effective management of energy infrastructure. WGL maintains its commitment to an asset-based growth strategy, designed to provide the best solutions for customers and predictable, steady returns for shareholders.

MAKING ENERGY EASY

WGL's corporate culture is built for the safe delivery of clean, efficient energy solutions at a value. A key part of this strategy lies in making energy easy for customers, employees and communities.

Simplicity hinges on:

1. **Diversity** of energy solutions, people and markets
2. **Innovation** to drive performance, safety and reliability
3. **Outstanding service** to build trust and preference
4. **Sustainability** of its business, customers, communities and the environment
5. **Performance** in the delivery of clean, efficient solutions that are both visible and valued

PAST AND FUTURE SUCCESS

Safe delivery of natural gas and other energy services remained the company's primary focus in 2015. In a year of record cold, WGL's utility business, Washington Gas, delivered strong safety performance, including system maintenance and construction, pipeline integrity and personnel safety.

To address the evolving needs of the industry, WGL has introduced Distributed Impact™, an approach that integrates multiple sources of energy to provide solutions for different customer requirements. Distributed Impact™ draws from natural gas infrastructure, power and gas distribution, solar and wind power, and other resource combinations such as carbon offsets, storage and energy efficiency.

Distributed Impact™ allows WGL to support its customers' profitability, sustainability and environmental goals while drawing on its own foundational strength. WGL believes Distributed Impact™ has the potential to shape the way entire communities are powered, changing energy from a cost to an asset.



POWERING THE GREATER GOOD

Every year, WGL employees enthusiastically extend their own energy to help worthwhile causes in the areas of health, education and the environment. The company consistently places in the top 25 of the Washington Business Journal's annual corporate philanthropy rankings based on employee volunteer hours.

Programs include long-time support of Junior Achievement, the Washington Area Fuel Fund, a groundbreaking \$1 million cumulative contribution to the Capital Area's Light the Night Walk for the Leukemia and Lymphoma Society (LLS), and Day of Weatherization, a volunteer effort to weatherize area homes—some with solar power.

By anticipating and responding to future changes and generously sustaining the communities it serves, WGL has remained relevant to its customers for close to two centuries.

By anticipating and responding to future changes and generously sustaining the communities it serves, WGL has remained relevant to its customers for close to two centuries. Time has done little to erase its corporate edge. Instead, it has become a tool for carefully honing the company's future.

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

March 10, 2016

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, 2015 and 2014 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, 2015 and 2014, 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.



Jacksonville, Florida

March 10, 2016

Energy Insurance Mutual Limited

Balance Sheets

(Expressed in Thousands of U.S. Dollars)

	<i>As of December 31,</i>			<i>As of December 31,</i>	
	2015	2014		2015	2014
Assets			Liabilities and policyholders' surplus		
Investments, available-for-sale	\$ 1,361,051	\$ 1,417,001	Liabilities:		
Alternative investments	150,141	45,338	Reserve for losses and loss adjustment expenses	\$ 839,222	\$ 712,316
Investment in subsidiaries	3,159	2,307	Unearned and advance premiums	120,975	114,216
Total investments	1,514,351	1,464,646	Reinsurance premiums payable and funds held for reinsurers	20,131	31,491
Cash and cash equivalents	76,025	88,857	Net deferred tax liability	67,697	76,900
Reinsurance recoverables on unpaid losses	402,203	330,856	Policyholder distributions payable	20,000	20,000
Reinsurance recoverables on paid losses	37	757	Accounts payable and accrued expenses	12,210	12,457
Prepaid reinsurance premiums	43,634	40,223	Payables for securities purchased	5,891	53
Accrued investment income	7,953	8,349	Due to subsidiaries	129	3,200
Receivables for securities sold	3,543	800	Income taxes payable	-	13,256
Premiums receivable	7,446	6,009	Total liabilities	1,086,255	983,889
Deferred policy acquisition costs	1,051	880			
Income taxes recoverable	1,837	-	Policyholders' surplus:		
Other assets	621	812	Accumulated other comprehensive income	164,930	177,403
Total assets	\$ 2,058,701	\$ 1,942,189	Members' account balance	807,516	780,897
			Total policyholders' surplus	972,446	958,300
			Total liabilities and policyholder's surplus	\$ 2,058,701	\$ 1,942,189

See accompanying notes to financial statements.

Energy Insurance Mutual Limited

Statements of Income and Comprehensive Income

(Expressed in Thousands of U.S. Dollars)

	Years ended December 31,			Years ended December 31,	
	2015	2014		2015	2014
Underwriting revenue			Investment income		
Net premiums earned			Net realized gain on investments sold	\$ 6,767	\$ 4,427
Direct and assumed premiums earned	\$ 209,306	\$ 207,983	Net investment income	41,572	38,294
Ceded premiums earned	(72,680)	(74,021)	Total investment income	48,339	42,721
Net premiums earned	136,626	133,962			
Ceding commission income	2,121	2,450	Income before policyholders' distribution and income taxes	43,437	73,874
Total underwriting revenue	138,747	136,412			
			Distributions to policyholders'	(20,000)	(20,000)
Underwriting expenses			Income before income taxes	23,437	53,874
Net losses and loss adjustment expenses					
Gross and assumed losses and loss adjustment expenses	238,871	101,972	Income tax benefit (expense)		
Ceded losses and loss adjustment expenses	(107,726)	(10,629)	Current income tax benefit (expense)	696	(19,446)
Net losses and loss adjustment expenses	131,145	91,343	Deferred income tax benefit (expense)	2,486	(676)
Policy acquisition costs	1,823	1,959	Total income tax benefit (expense)	3,182	(20,122)
Administrative expenses	10,681	11,957			
Total underwriting expenses	143,649	105,259	Net income	\$ 26,619	\$ 33,752
(Loss) income from underwriting	\$ (4,902)	\$ 31,153	Comprehensive income		
			Net income	\$ 26,619	\$ 33,752
			Net unrealized (losses) gains on available-for-sale securities, net of income taxes of \$(4,348) and \$20,327, respectively	(8,074)	37,750
			Less: reclassification adjustment for net gains realized in net income, net of income taxes of \$2,368 and \$1,549, respectively	(4,399)	(2,878)
			Other comprehensive (loss) income, net of tax	(12,473)	34,872
			Comprehensive income	\$ 14,146	\$ 68,624

See accompanying notes to financial statements.

Energy Insurance Mutual Limited
Statements of Changes in Policyholders' Surplus
(Expressed in Thousands of U.S. Dollars)

	Accumulated Other Comprehensive Income	Members' Account Balance	Total Policyholders' Surplus
Balance at January 1, 2014	\$ 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
Other comprehensive loss, net of tax	(12,473)	-	(12,473)
Net income	-	26,619	26,619
Balance at December 31, 2015	\$ 164,930	\$ 807,516	\$ 972,446

See accompanying notes to financial statements.

Energy Insurance Mutual Limited

Statements of Cash Flows

(Expressed in Thousands of U.S. Dollars)

	Years ended December 31,			Years ended December 31,	
	2015	2014		2015	2014
Net income	\$ 26,619	\$ 33,752	Cash flows from investing activities:		
Cash flows from operating activities:			Cost of investments purchased	\$ (500,504)	\$ (604,256)
Depreciation	179	238	Proceeds from sales of investments	409,136	440,614
Amortization of bond premium or discount	6,179	6,914	Proceeds from maturities of investments	28,255	41,498
Net realized investment gain	(6,767)	(4,427)	Change in payable from purchase of investments	3,095	2,191
Deferred income taxes	(2,486)	676	Income from alternative investments	(4,341)	(1,116)
Changes in operating assets and liabilities:			Equity in earnings of subsidiaries	(852)	(188)
Reinsurance recoverables on unpaid and paid losses	(70,627)	67,944	Purchases of fixed assets	(94)	(81)
Prepaid reinsurance premiums	(3,412)	3,862	Net cash from investing	(65,305)	(121,338)
Due to subsidiaries	(3,071)	7,967			
Premiums receivable	(1,437)	(1,215)	Cash flows from financing activities:		
Other assets	331	-	Draws on line of credit	13,800	35,000
Reserve for losses and loss adjustment expenses	126,906	(9,626)	Repayments on line of credit	(13,800)	(35,000)
Unearned and advance premiums	6,759	1,993	Net cash from financing	-	-
Reinsurance premiums payable	(11,360)	(8,087)			
Accounts payable and accrued expenses	(247)	1,887	Net change in cash and cash equivalents	(12,832)	7,733
Income taxes (recoverable) payable	(15,093)	27,193	Cash and cash equivalents, beginning of year	88,857	81,124
Net cash from operations	\$ 52,473	\$ 129,071	Cash and cash equivalents, end of year	\$ 76,025	\$ 88,857
			Supplemental disclosure of cash flow information:		
			Income taxes paid	\$ 27,050	\$ 6,150

See accompanying notes to financial statements.

Energy Insurance Mutual Limited

Notes to Financial Statements

Years ended December 31, 2015 and 2014

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. During 2015, the Company started providing 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.

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 and neither EIS or EIM has any obligation to absorb losses of the MBP's. Likewise, EIS has no right to the capital and accumulated

profits of the MBP cells. EIM does not have the power to direct the activities of the MBP's which most significantly impact economic performance.

As of December 31, 2015, EIS has assets (exclusive of assets held in MBPs) of approximately \$3.4 million, shareholder's equity of \$2.3 million and net loss of approximately \$36,000. As of December 31, 2014, EIS had assets (exclusive of assets held in MBPs) of approximately \$6.3 million, shareholder's equity of \$2.3 million and a net income of approximately \$188,000.

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 because EIM is not the primary beneficiary of EIS' operations.

During 2015, EIM formed Energy Captive Management, LLC ("ECM") in the State of South Carolina to provide captive management services to EIS. As of December 31, 2015, ECM has assets of approximately \$1 million, member's surplus of \$700,000 and net loss of approximately \$200,000.

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.

Alternative investments include interests in shares of investment funds, limited partnership funds, and real estate funds ("the Funds"), which are considered non-marketable. Alternative investments are structured such that the Company holds 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. These Funds are stated at fair value, which is from the most recently reported net asset value as reported by their investment managers or administrators. The use of net asset value as an estimate of the fair value for investments in certain entities that calculate the net asset value is a permitted practical expedient. Changes in the fair value are recorded directly to net investment income on the statement of income and comprehensive income.

Energy Insurance Mutual Limited

Notes to Financial Statements (Continued)

Note A - Organization & Significant Accounting Policies (Continued)

These alternative investment funds give investors the right, subject to predetermined redemption procedures, to redeem their investments at net asset value. 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.

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 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 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.

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 charged to income when declared by the Board of Directors. During 2015 and 2014, the Board of Directors approved the declaration of policyholder distributions in the amount of \$20 million.

Reclassifications

Certain balances in the 2014 financial statements have been reclassified to conform to the 2015 presentation.

Subsequent Events

The Company has evaluated subsequent events for disclosure and recognition through March 10, 2016, 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 2015 and 2014 is summarized as follows *(in Thousands of U.S. Dollars)*:

<u>2015</u>	<u>Direct</u>	<u>Assumed</u>	<u>Ceded</u>	<u>Net</u>
Premiums written	\$ 213,999	\$ 2,449	\$ (69,269)	\$ 147,179
Change in unearned premiums	(7,296)	154	(3,411)	(10,553)
Premiums earned	<u>\$ 206,703</u>	<u>\$ 2,603</u>	<u>\$ (72,680)</u>	<u>\$ 136,626</u>
 <u>2014</u>	 <u>Direct</u>	 <u>Assumed</u>	 <u>Ceded</u>	 <u>Net</u>
Premiums written	\$ 207,362	\$ 2,980	\$ (77,883)	\$ 132,459
Change in unearned premiums	(2,188)	(171)	3,862	1,503
Premiums earned	<u>\$ 205,174</u>	<u>\$ 2,809</u>	<u>\$ (74,021)</u>	<u>\$ 133,962</u>

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

	<u>2015</u>	<u>2014</u>
Gross balance, beginning of year	\$ 712,316	\$ 721,942
Less: reinsurance recoverables on unpaid losses	(330,856)	(397,130)
Net balance, beginning of year	<u>381,460</u>	<u>324,812</u>
 Incurred related to:		
Current year	155,727	108,032
Prior years	(24,582)	(16,689)
Total incurred	<u>131,145</u>	<u>91,343</u>
 Paid related to:		
Current year	695	1,451
Prior years	74,891	33,244
Total paid	<u>75,586</u>	<u>34,695</u>
 Net balance, end of year	437,019	381,460
Plus: reinsurance recoverables on unpaid losses	402,203	330,856
Gross balance, end of year	<u>\$ 839,222</u>	<u>\$ 712,316</u>

Energy Insurance Mutual Limited

Notes to Financial Statements (Continued)

Note B - Insurance Activity (Continued)

During 2015, incurred losses and loss adjustment expenses attributable to events of prior years decreased by approximately \$24.6 million. The favorable development relates to accident years 2009, 2011, 2012, and 2014, which decreased by approximately \$79.4 million. Remaining favorable development of approximately \$9.9 million was due to all other accident years with varying redundancies with the exception of accident years 2005 and 2013 which experienced unfavorable development of approximately \$64.7 million due to case development on six general liability claims.

For the year ended December 31, 2014, incurred losses and loss adjustment expenses 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.

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 2015 and 2014 reinsurance treaties is \$240,000,000, with respect to general liability and \$87,000,000 with respect to directors and officers, general partner and fiduciary liability.

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, 2015 and 2014, the total fair value of the assets held in the Trust were \$1,097,368,000 and \$1,225,143,000, which collateralized \$85,858,000 and \$102,627,000 in reinsurance recoverables on losses and loss adjustment expenses, respectively.

During 2015 and 2014, EIM entered into a reinsurance agreement with Oil Casualty Insurance Limited ("OCIL") whereby OCIL provides coverage for 60%

of \$25,000,000 in excess of \$75,000,000 for all general liability policies issued during the year. OCIL secures its obligations through funds held and trust arrangements. As of December 31, 2015 and 2014, the total amount of the funds held account was \$13,291,000 and \$25,996,000, respectively, and the total fair value of the assets held in the trust were \$30,055,000 and \$17,469,000, respectively. Together, the funds held and trust collateralized \$46,024,000 and \$36,448,000, respectively, in reinsurance recoverables on losses and loss adjustment expenses.

Beginning in 2015, the Company writes directly and assumes certain members' cyber liability risk. A portion of this business is ceded to NEIL.

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 21% and 22%, respectively, of the balance at December 31, 2015 and 31% and 22%, respectively, at December 31, 2014. The remaining balance is comprised of amounts due from various reinsurers, each not exceeding 12% and 11% of the total for 2015 and 2014, 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, 2015 and 2014, no such allowances were deemed necessary.

Energy Insurance Mutual Limited
Notes to Financial Statements (Continued)

Note C - Investments

As of December 31, 2015, 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)*:

2015	Cost or Amortized Cost	Other-than- temporarily Impaired	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury & agencies	\$ 35,357	\$ -	\$ 91	\$ (1,273)	\$ 34,175
U.S. state and municipal obligations	452,532	-	28,784	(205)	481,111
Corporate debt securities	141,496	-	2,056	(2,396)	141,156
Mortgage-backed securities	333,480	(11,194)	4,993	(2,395)	324,884
Domestic equities	103,064	(1,347)	177,615	(831)	278,501
Foreign equities	54,136	(211)	54,077	(6,778)	101,224
Total investments	<u>\$ 1,120,065</u>	<u>\$ (12,752)</u>	<u>\$ 267,616</u>	<u>\$ (13,878)</u>	<u>\$ 1,361,051</u>

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	<u>\$ 1,157,760</u>	<u>\$ (13,686)</u>	<u>\$ 279,656</u>	<u>\$ (6,729)</u>	<u>\$ 1,417,001</u>

Energy Insurance Mutual Limited

Notes to Financial Statements (Continued)

Note C - Investments (Continued)

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.

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.

As of December 31, 2015 and 2014, 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, 2015, 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.

	Cost or Amortized Cost	Fair Value
Maturity:		
In 2016	\$ 16,988	\$ 17,047
In 2017-2020	153,080	154,937
In 2021-2025	152,025	155,715
Due after 2025	640,772	653,627
Total fixed-maturity securities	<u>\$ 962,865</u>	<u>\$ 981,326</u>

Gross gains of approximately \$13,174,000 and \$13,541,000 and gross losses of (\$6,407,000) and (\$9,114,000), during 2015 and 2014 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 of OTTI is a subjective process, and different judgments and assumptions could affect the timing of loss realization. For the years ended December 31, 2015 and 2014, the Company determined that no investments were other-than-temporarily impaired.

Energy Insurance Mutual Limited
Notes to Financial Statements (Continued)

Note C - Investments (Continued)

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, 2015 *(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	\$ 31,947	\$ (1,273)	\$ -	\$ -	\$ 31,947	\$ (1,273)
U.S. state and municipal obligations	19,237	(67)	2,936	(138)	22,173	(205)
Corporate debt securities	64,202	(2,321)	3,738	(75)	67,940	(2,396)
Mortgage-backed securities	160,753	(1,502)	35,959	(893)	196,712	(2,395)
Domestic equities	7,806	(680)	963	(151)	8,769	(831)
Foreign equities	77,783	(5,279)	23,441	(1,499)	101,224	(6,778)
Total temporarily impaired securities	<u>\$ 361,728</u>	<u>\$ (11,122)</u>	<u>\$ 67,037</u>	<u>\$ (2,756)</u>	<u>\$ 428,765</u>	<u>\$ (13,878)</u>

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	<u>\$ 185,629</u>	<u>\$ (1,385)</u>	<u>\$ 153,902</u>	<u>\$ (5,344)</u>	<u>\$ 339,531</u>	<u>\$ (6,729)</u>

Energy Insurance Mutual Limited

Notes to Financial Statements (Continued)

Note C - Investments (Continued)

As of December 31, 2015, the Company had 470 fixed-maturity securities with unrealized losses. This included nine with aggregate unrealized losses of \$831,000, which were 20% or greater than the cost. 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. 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.

Of the 1,807 equity securities with unrealized losses, 659 with unrealized losses of \$5,115,000 were 20% or greater than the cost and have been in a continuous loss position for longer than a year at December 31, 2015. 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. 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*):

	2015	2014
Interest income	\$ 29,084	\$ 30,892
Dividend income	10,847	9,253
Income from subsidiary	(89)	188
Income from alternative investments	6,262	1,116
Other	(495)	388
Gross investment income	45,609	41,837
Investment management fees	(3,853)	(3,096)
Interest expense	(184)	(447)
Net investment income	\$ 41,572	\$ 38,294

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

Note C - Investments (Continued)

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 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, 2015 (*in Thousands of U.S. Dollars*):

	Total	Level 1	Level 2	Level 3
Fixed-maturity	\$ 981,326	\$ -	\$ 981,326	\$ -
Equities	379,725	379,725	-	-
Total	<u>\$1,361,051</u>	<u>\$ 379,725</u>	<u>\$ 981,326</u>	<u>\$ -</u>

There were no transfers between fair value levels during 2015 and 2014.

Several of EIM's policyholders are companies represented in the S&P 900. Consequently, at December 31, 2015 and 2014, EIM holds investments with a total fair value of approximately \$37.4 and \$19.6 million, respectively, in issuers who are also policyholders.

Energy Insurance Mutual Limited

Notes to Financial Statements (Continued)

Note C - Investments (Continued)

The alternative investment funds include the following as of December 31 (*in Thousands of U.S. Dollars*):

	2015 Fair Value	2014 Fair Value	Redemption Frequency	Redemption Notice Period
Catastrophe reinsurance	\$ 8,198	\$ 12,838	Quarterly	45 days
High yield bank loan	64,339	32,500	Monthly	30 days
Real estate	77,604	-	Quarterly	45 days
Total	<u>\$ 150,141</u>	<u>\$ 45,338</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 investments in this class have limited redemption rights and 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 noninvestment grade, floating rate bank loans.

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

The fair values of all alternative investment fund classes have been estimated using the net asset value per share of investments, with the exception of one fund in 2014. This fund was accounted for under the equity method and valued at \$7.8 million as of December 31, 2014. Under the equity method, the Company records its proportionate share of investee earnings or losses as a component of net investment income. In 2015, this fund was liquidated.

As of December 31, 2015, the Company did not have any unfunded commitments. As of December 31, 2014, the Company had \$71 million in unfunded commitments related to the real estate funds, which were funded in 2015.

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*):

	2015	2014
Deferred tax assets:		
Unpaid losses and loss adjustment expenses	\$ 9,420	\$ 8,904
Unearned premiums	5,414	5,206
Accrued expenses	3,309	3,019
Other than temporary impairments	4,550	4,790
Total deferred tax assets	<u>22,693</u>	<u>21,919</u>
Deferred tax liabilities:		
Unrealized capital gains	(88,808)	(95,525)
Premium amortization	(1,244)	(2,420)
Other	(338)	(874)
Total deferred tax liabilities	<u>(90,390)</u>	<u>(98,819)</u>
Net deferred tax liability	<u>\$ (67,697)</u>	<u>\$ (76,900)</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.

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.

Energy Insurance Mutual Limited

Notes to Financial Statements (Continued)

Note D - Federal Income Taxes (Continued)

At December 31, 2015 and 2014, the Company determined there are no material unrecognized tax benefits, and no adjustments to liabilities or operations were required.

Note E - Related Party Transactions

As described in Note A, the Company has two subsidiaries; EIS and ECM. During 2015 and 2014, EIM provided reinsurance to certain EIS cells. For the years ended December 31, 2015 and 2014, premiums earned included \$716,000 and \$680,000 of premium assumed from EIS, respectively. During 2015, EIM provided ECM with initial capital of \$500,000 plus contributed additional capital of \$380,000 during the year. EIS reimburses ECM for certain expenses incurred related to 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 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 G - 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, 2015 and 2014, 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 H - Line of Credit

A line of credit was established during 2011 in the amount of \$50,000,000. The letter of credit is used solely to fund claim payments that are subject to reinsurance recovery. There were no amounts outstanding as of December 31, 2015 and 2014 on the line of credit. Draws and subsequent repayments on the

line of credit amounted to \$13,800,000 and \$35,000,000, during 2015 and 2014, respectively.

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. 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 2015. The assumed healthcare cost trend rate is 6.8% for 2016, trending to 4.5% by 2027. The Company recognized a liability representing the actuarially determined accumulated post-retirement benefit obligation in the amount of \$9,455,000 and \$8,627,000 as of December 31, 2015 and 2014, respectively, which is included in accounts payable and accrued expenses.

Note J - 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 \$960 million at December 31, 2015.

EIM DIRECTORS

As of December 31, 2015



Darryl M. Bradford



Trevor A. Carmichael



Marian M. Durkin



Willard S. Evans, Jr.



Benjamin G.S. Fowke, III



Scott K. Goodell

Darryl M. Bradford

Executive 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

EIM DIRECTORS

As of December 31, 2015

James R. Hatfield

Executive Vice President and Chief Financial Officer
Pinnacle West Capital Corporation, Phoenix, Arizona



James R. Hatfield



G. Edison Holland, Jr.

G. Edison Holland, Jr.

Chairman and Chief Executive Officer
Mississippi Power Company, Gulfport, Mississippi

Darren J. Olagues

President
Cleco Power LLC, Pineville, Louisiana



Darren J. Olagues



Carter M. Reid

Carter M. Reid

SVP-Chief Administrative and Compliance Officer & Corporate Secretary
Dominion Resources Services, Inc., Richmond, Virginia

Joseph M. Rigby

Chairman, President, and Chief Executive Officer
Pepco Holdings, Inc., Washington, D.C.



Joseph M. Rigby



Brian X. Tierney

Brian X. Tierney

Executive Vice President & Chief Financial Officer
American Electric Power Service Corporation, Columbus, Ohio

BOARD COMMITTEES

As of December 31, 2015

AUDIT COMMITTEE

Willard S. Evans, Jr. (Chairman)

Darryl M. Bradford (Vice Chairman)

G. Edison Holland, Jr. | Darren J. Olagues | Brian X. Tierney

NOMINATING COMMITTEE

Joseph M. Rigby (Chairman)

Darryl M. Bradford (Vice Chairman)

Marian M. Durkin | Scott K. Goodell | Brian X. Tierney

CLAIMS COMMITTEE

Darryl M. Bradford (Chairman)

Carter M. Reid (Vice Chairman)

Marian M. Durkin | Willard S. Evans, Jr. | Joseph M. Rigby

REINSURANCE COMMITTEE

Carter M. Reid (Chairman)

James R. Hatfield (Vice Chairman)

Scott K. Goodell | Darren J. Olagues | 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

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 | Dean R. Jobko

Carter M. Reid

INVESTMENT COMMITTEE

Darren J. Olagues (Chairman)

James R. Hatfield (Vice Chairman)

Benjamin G. S. Fowke, III | Carter M. Reid | Brian X. Tierney

INSURANCE ADVISORY COMMITTEE

As of December 31, 2015



*Dean R. Jobko,
Chairman*



*Edsel L. Carlson,
Vice Chairman*



Robert W. Dillard



Cynthia J. Fee



Julie R. Jackson



Jerry E. Rhoades



Roni A. Salo



Jeremy L. Stephens



Richard N. Stevens



Forrest L. Strachan

**Dean R. Jobko, 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**

**Cynthia J. Fee, Senior Risk Management Analyst
Sacramento Municipal Utility District, Sacramento, California**

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

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

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

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

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

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

EIM OFFICERS

As of December 31, 2015



Benjamin G. S. Fowke, III



Marian M. Durkin



Scott K. Goodell



G. Thomas Bolton, III



Jill C. Dominguez



Robert P. Schmid

Energy Insurance Mutual Limited (EIM)

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



Ann M. Joslin



Taniyka D. Ragland



Trevor A. Carmichael

EIS AND ECM OFFICERS

As of December 31, 2015



Randall L. Martin



Tobias P. Burke



Jeffrey M. Tkacz

Energy Insurance Services, Inc. (EIS)

Benjamin G. S. Fowke, III
Chairman

Marian M. Durkin
Vice Chairman

Scott K. Goodell
President and CEO

Randall L. Martin
Vice President-Chief Operating Officer

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

Robert P. Schmid
Vice President

Taniyka D. Ragland
Assistant Secretary

Energy Captive Management, LLC (ECM)

Benjamin G. S. Fowke, III
Chairman

Marian M. Durkin
Vice Chairman

Scott K. Goodell
President and CEO

Tobias P. Burke
Vice President-Chief Accounting Officer

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

Randall L. Martin
Vice President-Chief Operating Officer

Robert P. Schmid
Vice President

Jeffrey M. Tkacz
Controller and Corporate Secretary

Taniyka D. Ragland
Assistant Secretary

EIM MEMBERS

As of December 31, 2015

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

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2015 Annual Report