JOHNSON LAMBERT LLP

Energy Insurance Mutual Limited

Audited Financial Statements

Years ended December 31, 2017 and 2016
with Report of Independent Auditors

Energy Insurance Mutual Limited

Audited Financial Statements

Years ended December 31, 2017 and 2016

Contents

JOHNSON LAMBERT LLP

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, 2017 and 2016 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, 2017 and 2016, 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.

Report on Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the disclosures about short-duration insurance contracts on pages 23-26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Johnson Lambert LLP

Jacksonville, Florida
February 28, 2018

Energy Insurance Mutual Limited

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

	As of December 31, 2017	As of December 31, 2016
Assets		
Investments, available-for-sale	$ 1,492,113	$ 1,355,647
Alternative investments	181,358	164,040
Investment in subsidiaries	3,690	3,295
Total investments	1,677,161	1,522,982
Cash and cash equivalents	8,015	39,696
Reinsurance recoverables on unpaid losses	225,579	338,780
Reinsurance recoverables on paid losses	3,094	15,707
Prepaid reinsurance premiums	40,352	39,444
Accrued investment income	7,785	7,236
Receivables for securities sold	7,050	2,685
Premiums receivable	9,106	8,186
Deferred policy acquisition costs	1,103	1,105
Income taxes recoverable	16,690	726
Other assets	1,530	809
Total assets	$ 1,997,465	$ 1,977,356
Liabilities and policyholders' surplus		
Liabilities:		
Reserve for losses and loss adjustment expenses	$ 563,971	$ 673,877
Unearned and advance premiums	126,979	121,825
Reinsurance premiums payable and funds held for reinsurers	8,488	8,574
Net deferred tax liability	61,383	72,365
Policyholder distributions payable	40,000	25,000
Accounts payable and accrued expenses	13,779	12,588
Line of credit	-	16,500
Payables for securities purchased	2,282	10,470
Due to subsidiaries	11,744	7,790
Total liabilities	828,626	948,989
Policyholders' surplus:		
Accumulated other comprehensive income	264,215	167,068
Members' account balance	904,624	861,299
Total policyholders' surplus	1,168,839	1,028,367
Total liabilities and policyholders' surplus	$ 1,997,465	$ 1,977,356

See accompanying notes to the financial statements.

Energy Insurance Mutual Limited

Statements of Income and Comprehensive Income
(Expressed in Thousands of U.S. Dollars)

	Years ended December 31, 2017	Years ended December 31, 2016
Underwriting revenue		
Net premiums earned		
Direct and assumed premiums earned	$ 221,057	$ 222,951
Ceded premiums earned	(77,140)	(83,124)
Net premiums earned	143,917	139,827
Ceding commission income	2,393	2,421
Total underwriting revenue	146,310	142,248
Underwriting expenses		
Net losses and loss adjustment expenses		
Gross and assumed losses and loss adjustment expenses	75,670	123,118
Ceded losses and loss adjustment expenses	9,750	(28,161)
Net losses and loss adjustment expenses	85,420	94,957
Policy acquisition costs	1,944	2,273
Administrative expenses	12,620	10,559
Total underwriting expenses	99,984	107,789
Income from underwriting	46,326	34,459
Investment income		
Net realized gain on investments sold	15,879	12,426
Other-than-temporary impairments	-	(126)
Net investment income	39,161	49,295
Total investment income	55,040	61,595
Income before policyholders' distribution and income taxes	101,366	96,054
Distributions to policyholders	(40,000)	(25,000)
Income tax benefit (expense)	28,765	(17,271)
Net income	$ 90,131	$ 53,783
Comprehensive income		
Net income	$ 90,131	$ 53,783
Net unrealized gains on available-for-sale securities, net of taxes of $32,664 and $5,456, respectively	60,662	10,133
Less: reclassification adjustment for net gains realized in net income, net of taxes of $5,558 and $4,305, respectively	(10,321)	(7,995)
Other comprehensive income, net of taxes	50,341	2,138
Comprehensive income	$ 140,472	$ 55,921

See accompanying notes to the 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, 2016	$ 164,930	$ 807,516	$ 972,446
Other comprehensive income, net of taxes	2,138	-	2,138
Net income	-	53,783	53,783
Balance at December 31, 2016	167,068	861,299	1,028,367
Other comprehensive income, net of taxes	50,341	-	50,341
Reclassification of stranded tax (Note A)	46,806	(46,806)	-
Net income	-	90,131	90,131
Balance at December 31, 2017	$ 264,215	$ 904,624	$ 1,168,839

See accompanying notes to the financial statements.

Energy Insurance Mutual Limited

Statements of Cash Flows

(Expressed in Thousands of U.S. Dollars)

	Years ended December 31, 2017	Years ended December 31, 2016
Net income	$ 90,131	$ 53,783
Cash flows from operating activities:		
Add (deduct) items not affecting cash:		
Depreciation	226	150
Amortization of bond premium or discount	3,865	4,141
Net realized investment gain	(15,879)	(12,300)
Deferred income taxes	(38,306)	3,580
Changes in operating assets and liabilities:		
Reinsurance recoverables on unpaid and paid losses	125,814	47,753
Prepaid reinsurance premiums	(908)	4,190
Premiums receivable	(920)	(740)
Reserve for losses and loss adjustment expenses	(109,906)	(165,345)
Unearned and advance premiums	5,154	850
Reinsurance premiums payable and funds held for reinsurers	(86)	(11,557)
Accounts payable and accrued expenses	703	979
Due to subsidiaries	3,954	7,661
Policyholder distribution payable	15,000	5,000
Income taxes recoverable	(15,964)	1,111
Net cash from operations	62,878	(60,744)
Cash flows from investing activities:		
Cost of investments purchased	(682,378)	(548,234)
Proceeds from sales of investments	555,794	542,854
Proceeds from maturities of investments	59,640	18,152
Change in amount due from purchase/sale of securities	(12,553)	5,437
Income from alternative investments	2,839	(9,882)
Equity in earnings of subsidiaries	(395)	(136)
Purchases of fixed assets	(1,006)	(276)
Net cash from investing	(78,059)	7,915
Cash flows from financing activities:		
Draws and repayments on line of credit	(16,500)	16,500
Net cash from financing	(16,500)	16,500
Net change in cash and cash equivalents	(31,681)	(36,329)
Cash and cash equivalents, beginning of year	39,696	76,025
Cash and cash equivalents, end of year	$ 8,015	$ 39,696
Supplemental disclosure of cash flow information:		
Income taxes paid, net of refunds	$ 13,600	$ 2,877

See accompanying notes to the financial statements.

Energy Insurance Mutual Limited

Notes to Financial Statements

Years ended December 31, 2017 and 2016

Note A - Organization and Significant Accounting Policies

Organization

Energy Insurance Mutual Limited (the "Company" or "EIM") is a mutual insurance company incorporated in Barbados on June 13, 1986 and licensed as a Qualifying Insurance Company under Insurance Act Cap. 310 of the Laws of Barbados. On June 9, 1988 EIM was licensed by the State of Florida as an industrial insured captive insurance company. Pursuant to its Florida license, the Company is authorized to write excess insurance in all 50 states and the District of Columbia.

The Company is a mutual insurance company with membership available to any utility or member of the energy services industry that meets EIM's underwriting standards. The Company provides excess general liability, excess fiduciary liability and excess directors and officers liability policies written on a claims first made basis. In addition, to a lesser extent the Company writes property insurance for its members. All members have casualty policies in place, approximately 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 ("MBPs"), to insure or reinsure the risks of their sponsoring organizations, including property, general and environmental liability, asbestos, workers' compensation and retiree medical stop loss. Through Participation Agreements with the MBPs, the insurance risks underwritten by the MBPs are contractually limited to the funds available in the individual cell's account and neither EIS nor EIM has any obligation to absorb losses of the MBPs. Likewise, EIS has no right to the capital and accumulated profits of the MBPs cells. EIM does not have the power to direct the activities of the MBPs, which most significantly impact economic performance.

Note A - Organization and Significant Accounting Policies (Continued)

As of December 31, 2017, EIS has assets (exclusive of assets held in MBPs) of approximately $14.3 million, shareholder's equity of $2.9 million and net income of approximately $386,000. As of December 31, 2016, EIS had assets (exclusive of assets held in MBPs) of approximately $10.6 million, shareholder's equity of $2.5 million and net income of approximately $277,000.

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, 2017, ECM has assets of approximately $917,000, member's equity of $757,000 and net income of $10,000. As of December 31, 2016, ECM had assets of approximately $915,000, member's equity of $747,000 and net income of $25,000.

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. The Company releases the income tax effects from accumulated other comprehensive income as individual securities are sold or mature. 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 Company has elected the fair value option with respect to the Funds, with all gains and losses associated with the Funds recorded directly to the statement of income and comprehensive income, as a component of net investment income. 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.

Note A - Organization and 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 the funds are not actively traded on an exchange, 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 ("LAE") represents the estimated ultimate gross cost of all reported and unreported losses unpaid through December 31. Case reserves represent the estimated future payments on reported losses. Case reserves are continually reviewed and updated; however, given the uncertainty regarding the extent of the Company's ultimate liability, 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 LAE is adequate. These estimates are periodically reviewed and adjusted as experience develops or new information becomes known. Such adjustments are included in current operations.

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

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

Note A - Organization and Significant Accounting Policies (Continued)

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, 2017 and 2016, no such allowances were deemed necessary.

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 released from excess surplus and are charged to income when declared by the Board of Directors. During 2017 and 2016, the Board of Directors approved the declaration of policyholder distributions in the amount of $40 million and $25 million, respectively.

Reclassifications
The Company has elected to early adopt Accounting Standards Update 2018-02, *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. This update was issued directly in response to the Tax Cuts and Jobs Act of 2017, to alleviate certain stranded tax effects. As shown on the Statements of Changes in Policyholders' Surplus, this resulted in the Company reclassifying stranded taxes on net unrealized gains of $46.8 million between accumulated other comprehensive income and members' account balance.

Subsequent Events
The Company has evaluated subsequent events for disclosure and recognition through February 28, 2018, the date on which these financial statements were available to be issued.

Note B - Insurance Activity

Premium activity for 2017 and 2016 is summarized as follows *(in Thousands of U.S. Dollars)*:

2017	Direct	Assumed	Ceded	Net
Premiums written	$ 223,271	$ 3,687	$ (76,232)	$ 150,726
Change in unearned premiums	(6,028)	127	(908)	(6,809)
Premiums earned	$ 217,243	$ 3,814	$ (77,140)	$ 143,917

2016	Direct	Assumed	Ceded	Net
Premiums written	$ 217,863	$ 4,831	$ (87,314)	$ 135,380
Change in unearned premiums	1,570	(1,313)	4,190	4,447
Premiums earned	$ 219,433	$ 3,518	$ (83,124)	$ 139,827

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

	2017	2016
Gross balance, beginning of year	$ 673,877	$ 839,222
Less: reinsurance recoverables on unpaid losses and LAE	(338,780)	(402,203)
Net balance, beginning of year	335,097	437,019
Incurred related to:		
Current year	150,707	106,091
Prior years	(65,287)	(11,134)
Total incurred	85,420	94,957
Paid related to:		
Current year	93	483
Prior years	82,032	196,396
Total paid	82,125	196,879
Net balance, end of year	338,392	335,097
Plus: reinsurance recoverables on unpaid losses and LAE	225,579	338,780
Gross balance, end of year	$ 563,971	$ 673,877

During 2017, incurred losses and LAE attributable to events of prior years decreased by approximately $65.3 million. The favorable development of prior year losses related primarily to prior accident years 2013, 2014, 2015 and 2016, which decreased by approximately $49 million. Remaining favorable development of $16.3 million was due to all other accident years with varying redundancies.

Note B - Insurance Activity (Continued)

For the year ended December 31, 2016, incurred losses and LAE attributable to events of prior years decreased by approximately $11.1 million. The favorable development of prior year losses related to prior accident years exclusive of 2003, 2005 and 2015 of approximately $39.6 million. Accident years 2003, 2005 and 2015 experienced unfavorable development totaling approximately $28.5 million.

The reconciliation of the net incurred and paid losses development tables to the liability for losses and LAE on the balance sheet as of December 31, 2017 is as follows *(in Thousands of U.S. Dollars)*:

Net liabilities for unpaid losses and allocated LAE	$	326,892
Reinsurance recoverables on unpaid losses and allocated LAE		225,579
Unallocated LAE		11,500
Gross liabilities for unpaid losses and LAE	$	563,971

The following is information about incurred and cumulative paid losses and allocated LAE, net of reinsurance, total incurred-but-not-reported ("IBNR") liabilities plus expected development on reported claims, net of reinsurance and the cumulative number of reported claims as of December 31, 2017 *(in Thousands of U.S. Dollars, Except Number of Claims Data)*:

Accident Year	Incurred	Cumulative Paid	IBNR Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
2008	$ 51,081	$ 50,044	$ 1,033	184
2009	121,486	120,671	815	209
2010	107,382	106,520	862	178
2011	11,946	10,649	1,100	209
2012	87,776	72,804	1,771	223
2013	118,521	100,665	8,901	219
2014	57,845	13,411	3,361	206
2015	158,105	142,183	14,614	208
2016	87,042	6,555	78,321	298
2017	146,429	93	113,562	228
Total	$ 947,613	$ 623,595	$ 224,340	

Methodology for Determining Losses and LAE Reserves: With the assistance of a consulting actuary, generally accepted actuarial reserving techniques are utilized to project the estimate of ultimate losses and LAE at each reporting date.

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

Note B - Insurance Activity (Continued)

The Company uses excess of loss reinsurance to protect against severe losses on the directors and officers, general partner, general liability and fiduciary liability books of business. After certain deductibles or retentions have been satisfied, the maximum amount that could be recoverable under the 2017 and 2016 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 LAE due to EIM under reinsurance agreements. EIM has been listed as the beneficiary of the Trust. As of December 31, 2017 and 2016, the total fair value of the assets held in the Trust were $973,685,000 and $901,682,000, which collateralized $61,521,000 and $72,378,000 in reinsurance recoverables on losses and LAE, respectively.

During 2017 and 2016, 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 a trust arrangement. As of December 31, 2017 and 2016, the total fair value of the assets held in the trust were $52,299,000 and $52,081,000, which collateralized $35,281,000 and $68,977,000 in reinsurance recoverables on losses and LAE, respectively.

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, OCIL and various Lloyds of London syndicates, comprising 27%, 16%, and 17%, respectively, of the balance at December 31, 2017 and 21%, 20%, and 19%, respectively, at December 31, 2016. The remaining balance is comprised of amounts due from various reinsurers, each not exceeding 12% of the total for 2017 and 2016.

Note C - Investments

As of December 31, 2017, the cost or amortized cost, gross unrealized gains, gross unrealized losses, other-than-temporarily impaired ("OTTI") and fair value of marketable fixed-maturity and equity securities are summarized as follows *(in Thousands of U.S. Dollars)*:

2017	Cost or Amortized Cost	Other-than-temporarily Impaired	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury & agencies	$ 90,378	$ -	$ 615	$ (403)	$ 90,590
U.S. state and municipal obligations	518,790	-	25,812	(156)	544,446
Corporate debt securities	132,326	-	2,192	(463)	134,055
Mortgage-backed securities	266,083	(9,798)	4,181	(2,134)	258,332
Foreign government debt	1,644	-	51	(13)	1,682
Domestic equities	81,161	(1,708)	240,531	(622)	319,362
Foreign equities	79,096	(186)	69,427	(4,691)	143,646
Total investments	$ 1,169,478	$ (11,692)	$ 342,809	$ (8,482)	$ 1,492,113

As of December 31, 2016, 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)*:

2016	Cost or Amortized Cost	Other-than-temporarily Impaired	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury & agencies	$ 79,066	$ -	$ 336	$ (384)	$ 79,018
U.S. state and municipal obligations	488,654	-	18,796	(698)	506,752
Corporate debt securities	103,682	-	1,819	(976)	104,525
Mortgage-backed securities	247,639	(10,015)	3,690	(2,413)	238,901
Foreign government debt	3,234	-	23	(50)	3,207
Domestic equities	100,707	(2,259)	193,737	(787)	291,398
Foreign equities	88,553	(202)	54,326	(10,831)	131,846
Total investments	$ 1,111,535	$ (12,476)	$ 272,727	$ (16,139)	$ 1,355,647

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.

Note C - Investments (Continued)

The Company's investment objective for equities is to emulate the returns of the S&P 900 and to a lesser extent the MSCI EAFE index for its domestic and international equity portfolios, respectively.

The cost and estimated fair value of fixed-maturity securities at December 31, 2017, 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 2018	$ 39,096	$ 39,027
In 2019-2023	211,198	212,682
In 2024-2028	176,430	180,844
Due after 2029	582,497	596,552
Total fixed-maturity securities	$ 1,009,221	$ 1,029,105

Gross gains of approximately $24,561,000 and $26,187,000 and gross losses of ($8,682,000) and ($13,761,000), during 2017 and 2016 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 year ended December 31, 2017, the Company determined that no investments were other-than-temporarily impaired. For the year ended December 31, 2016, the Company determined that one fixed-maturity security of approximately $126,000 was other-than-temporarily impaired.

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

	Less than one year		One year or more		Total	
2017	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury & agencies	$ 63,795	$ (403)	$ 198	$ -	$ 63,993	$ (403)
U.S. state and municipal obligations	26,115	(48)	2,866	(108)	28,981	(156)
Corporate debt securities	49,180	(313)	8,979	(150)	58,159	(463)
Mortgage-backed securities	129,723	(842)	55,008	(1,292)	184,731	(2,134)
Foreign government debt	566	(13)	10	-	576	(13)
Domestic equities	4,005	(466)	1,222	(156)	5,227	(622)
Foreign equities	8,275	(709)	107,680	(3,982)	115,955	(4,691)
Total temporarily impaired securities	$ 281,659	$ (2,794)	$ 175,963	$ (5,688)	$ 457,622	$ (8,482)

	Less than one year		One year or more		Total	
2016	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury & agencies	$ 42,092	$ (384)	$ -	$ -	$ 42,092	$ (384)
U.S. state and municipal obligations	67,600	(694)	182	(4)	67,782	(698)
Corporate debt securities	42,838	(933)	1,455	(43)	44,293	(976)
Mortgage-backed securities	126,227	(1,737)	31,381	(676)	157,608	(2,413)
Foreign government debt	1,463	(50)	-	-	1,463	(50)
Domestic equities	5,746	(577)	49	(210)	5,795	(787)
Foreign equities	24,182	(2,198)	91,896	(8,633)	116,078	(10,831)
Total temporarily impaired securities	$ 310,148	$ (6,573)	$ 124,963	$ (9,566)	$ 435,111	$ (16,139)

As of December 31, 2017, the Company had 657 fixed-maturity securities with unrealized losses. This included three with aggregate unrealized losses of $18,000 which were 20% or greater than the cost. As of December 31, 2016, the Company had 568 fixed-maturity securities with unrealized losses. This included five with aggregate unrealized losses of $88,600, which were 20% or greater than the cost.

Note C - Investments (Continued)

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 486 equity securities with unrealized losses, 26 with unrealized losses of $1,250,000 were 20% or greater than the cost and have been in a continuous loss position for longer than a year at December 31, 2017. Of the 716 equity securities with unrealized losses, 86 with unrealized losses of $3,382,000 were 20% or greater than the cost and have been in a continuous loss position for longer than a year at December 31, 2016. 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)*:

	2017	2016
Interest income	$ 30,242	$ 29,721
Dividend income	12,758	13,490
Income from subsidiary	209	71
Income from alternative investments	409	10,401
Other	(27)	7
Gross investment income	43,591	53,690
Investment management fees	(4,251)	(4,218)
Interest expense	(179)	(177)
Net investment income	$ 39,161	$ 49,295

Note C - Investments (Continued)

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 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.

Note C - Investments (Continued)

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, 2017 *(in Thousands of U.S. Dollars)*:

	Total	Level 1	Level 2	Level 3
Fixed-maturity	$ 1,029,105	$ -	$ 1,029,105	$ -
Equities	463,008	463,008	-	-
Total	$ 1,492,113	$ 463,008	$ 1,029,105	$ -

There were no transfers between fair value levels during 2017 and 2016.

EIM has policyholders who are also represented in the S&P 900. At December 31, 2017 and 2016, EIM holds investments with a total fair value of approximately $37 million and $46.3 million, respectively, in issuers who are also policyholders.

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

	2017 Fair Value	2016 Fair Value	Redemption Frequency	Redemption Notice Period
Catastrophe reinsurance	$ 19,305	$ 10,825	Quarterly	45 days
High yield bank loan	72,738	69,926	Monthly	30 days
Core real estate	89,315	83,289	Quarterly	45 days
Total	$ 181,358	$ 164,040		

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 that may be suspended from time to time.

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

The core real estate class includes two core 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. As of December 31, 2017 and 2016, the Company did not have any unfunded commitments.

Note D - Federal Income Taxes

The components of the provision for federal income taxes for the years ended December 31, 2017 and 2016 are as follows *(in Thousands of U.S. Dollars)*:

	2017	2016
Current income tax expense	$ (9,541)	$ (13,691)
Deferred income tax expense	(2,613)	(3,580)
Deferred income tax benefit - legislative rate change	40,919	-
Total income tax benefit (expense)	$ 28,765	$ (17,271)

Deferred federal income taxes arise from temporary differences between the valuation of assets and liabilities as determined for financial reporting purposes and federal income tax purposes and are measured at enacted tax rates. As of December 31, 2016, the Company measured its deferred tax items at its effective tax rate of 35%. On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the "Act") was signed into law. The Act reduced the Company's 2018 corporate federal tax rate from 35% to 21%, among other things. As a result of the Act, the Company's deferred tax items are measured at a rate of 21% as of December 31, 2017.

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)*:

	2017	2016
Deferred tax assets:		
Unpaid losses and LAE	$ 3,436	$ 6,256
Unearned premiums	3,638	5,767
Accrued expenses	2,071	3,191
Other than temporary impairments	2,196	4,453
Total deferred tax assets	11,341	19,667
Deferred tax liabilities:		
Unrealized capital gains, net	(70,209)	(89,761)
Alternative investment income	(1,459)	(859)
Premium amortization	(592)	(969)
Other	(464)	(443)
Total deferred tax liabilities	(72,724)	(92,032)
Net deferred tax liability	$ (61,383)	$ (72,365)

Note D - Federal Income Taxes (Continued)

The provision for federal income tax differs from the amount derived by applying the statutory federal tax rates to pretax income for financial reporting purposes due primarily to tax exempt investment income and enacted tax rate change from 35% to 21% beginning in 2018.

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

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

At December 31, 2017 and 2016, 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 2017 and 2016, EIM provided reinsurance to certain EIS cells. For the years ended December 31, 2017 and 2016, premiums earned included $362,000 and $564,000 of premium assumed from EIS, respectively. 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 LAE reserves. The Company's management believes that the resolution of these actions will not have a material adverse effect on the Company's financial position or results of operations.

Note G - Trust Funds and Deposits

The Company has established a trust fund with a federally insured depository. This trust fund serves as security for policyholders and third-party claimants to satisfy requirements for being listed as an alien surplus lines insurer by the National Association of Insurance Commissioners. 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, 2017 and 2016, the balance in the trust fund was in excess of $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

The Company has a $75,000,000 line of credit used solely to fund claim payments that are subject to reinsurance recovery. As of December 31, 2017 and 2016, $0 and $16,500,000, respectively, was outstanding on the line of credit. During 2017 and 2016, draws on the line of credit amounted to $56,000,000 and $46,500,000, respectively, and subsequent repayments amounted to $72,500,000 and $30,000,000, 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. Employees hired after December 31, 2011, are required to contribute 50% of the medical plan COBRA rate, upon fulfilling the eligibility requirements under the Plan. The Plan is unfunded. Employees hired after June 1, 2017 are not eligible under the Plan.

The assumed discount rate used to determine the benefit obligation is 4.65% for 2017. The assumed healthcare cost trend rate is 6.6% for 2017, trending to 4.5% by 2037. The Company recognized a liability representing the actuarially determined accumulated post-retirement benefit obligation in the amount of $9,862,000 and $9,118,000 as of December 31, 2017 and 2016, respectively.

Note J - Margin of Solvency

In order to meet the requirements of a Qualifying Insurance Company under the Insurance Act Cap. 310 of the Laws of Barbados, the Company must have contributed reserves of $16 million. The policyholders' surplus provided an excess margin of solvency of approximately $1.2 billion at December 31, 2017.

Required Supplementary Information

Energy Insurance Mutual Limited

Required Supplementary Information

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

	Incurred Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance									
Accident Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
2008	$ 94,389	$ 76,883	$ 83,435	$ 80,905	$ 56,767	$ 59,800	$ 56,389	$ 52,007	$ 51,021	$ 51,081
2009		79,351	77,157	45,819	153,011	138,768	132,454	123,470	121,936	121,486
2010			116,915	112,363	103,530	102,072	113,639	110,480	108,453	107,382
2011				74,159	70,584	44,988	40,534	16,729	15,245	11,946
2012					118,098	98,195	114,696	101,068	89,380	87,776
2013						107,503	80,064	133,300	125,652	118,521
2014							104,082	74,447	66,923	57,845
2015								152,607	172,589	158,105
2016									101,671	87,042
2017										146,429
Total										$ 947,613

Energy Insurance Mutual Limited

Required Supplementary Information (Continued)

Accident Year	Cumulative Paid Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
2008	$ 2,307	$ 6,547	$ 14,350	$ 27,008	$ 32,109	$ 48,938	$ 50,004	$ 50,025	$ 50,037	$ 50,044
2009		979	1,553	2,019	2,177	113,881	120,629	120,635	120,635	120,671
2010			721	79,976	81,026	81,541	81,690	81,496	81,513	106,520
2011				876	5,560	8,851	9,981	10,257	10,647	10,649
2012					1,210	6,132	9,324	38,781	40,039	72,804
2013						1,527	3,036	55,626	94,806	100,665
2014							1,450	1,986	2,398	13,411
2015								695	141,523	142,183
2016									483	6,555
2017										93
Total										$ 623,595

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

Incurred losses and allocated loss adjustment expenses, net of reinsurance	$ 947,613
Less cumulative paid losses and allocated loss adjustment expenses, net of reinsurance	(623,595)
All outstanding liabilities before 2008, net of reinsurance	2,874
Liabilities for losses and loss adjustment expenses, net of reinsurance	$ 326,892

Energy Insurance Mutual Limited

Required Supplementary Information (Continued)

The following is the average historical claims duration as of December 31, 2017:

Average Annual Percentage Payout of Incurred Claims by Age										
Years	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
	2.0 %	25.1 %	11.7 %	17.2 %	18.4 %	15.8 %	0.5 %	7.8 %	- %	- %