

M E N E R G Y I N S U R A N C E M U T U A L MEMBERS REPORT

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EIM Property Facility



By George Schuitema, IAC Chairman

I would like to take a few moments and address the utilization of EIM's property facility by our Members. Since EIM's entry into the property arena some six-plus years ago, we have seen our involvement with your programs grow from but a handful of placements to our present number of 65. However, it appears that Member participation has leveled off over the past two years. The question thus becomes: "How do we obtain more participation by our Members?"

As a response to Members' requests and to better serve our Membership, we have steadily increased our capacity over the years and have recently expanded our ability to provide stand alone Builder's Risk Coverage. Currently our capacity is \$35 million, up considerably from our starting capacity of \$5 million. We continue to have an ongoing arrangement with NEIL whereby EIM fronts NEIL's participation allowing them to further support their membership on non-nuclear business.

One must remember that the property facility was estab-

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AEP's Holly Koeppel Joins EIM Board

Holly Keller Koeppel, executive vice president and chief financial officer for American Electric Power, joined the EIM Board of Directors August 14. She will stand for election to a three-year term at the Annual General Meeting in May 2008.

In her current position, which reports directly to the chairman, Holly is responsible for finance, corporate accounting, planning and strategy, risk management, and investor relations. She was previously executive vice president, AEP Utilities-East, which includes the utility operating companies Appalachian Power, Indiana Michigan Power, Kentucky Power, Columbus Southern Power, and Ohio Power.

AEP, headquartered in Columbus, Ohio, is one of the largest electric utilities in the United States, delivering electricity to more than five million customers in 11 states.

In 2002, Holly was named executive vice president - Energy Services, responsible for AEP's unregulated global wholesale businesses, including unregulated generation, wholesale marketing and trading, natural gas pipelines, and coal mining, as well as international operations and investments in Australia, Brazil,

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Holly Koeppel



Energy Insurance Services - An EIM Company

EIS Annual Conference Set for October See story on page 4

AEP's Holly Koeppel Joins EIM Board

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China, Europe, and the United Kingdom.

She has also held the position of senior vice president - Corporate Development and Strategy. Holly joined AEP in July 2000 as vice president - New Ventures for AEP Corporate Development.

Prior to joining AEP, Holly worked for Consolidated Natural Gas, Pittsburgh, for more than 15 years. She held a number of positions across the CNG system in the areas of regulatory policy, investor relations, business development, energy trading, and pipeline operations. Her last position with CNG was vice president of Asia-Pacific operations, based in Sydney, Australia.

Holly earned bachelor's and master's degrees in business from The Ohio State University. A Pittsburgh native, she resides in Upper Arlington, Ohio, with her husband Peter and two children.

EIM Director Kim Greene Moves to TVA as EVP and CFO

The Tennessee Valley Authority announced Aug. 3 the appointment of EIM Director Kimberly Greene as chief financial officer and executive vice president of financial services, effective Sept. 4. Kim joins TVA from Southern Company, where she was senior vice president of finance and treasurer.

Kim, who has served on the EIM Board since May 2004, will report to TVA President and CEO Tom Kilgore. At TVA, she is responsible for all TVA financial functions, including treasury, accounting, risk management, financial planning, and investor relations. She is based in Knoxville, her hometown, at TVA's corporate headquarters.

Kim joined Southern Company Services in 1991 as a mechanical engineer and progressed through various areas of engineering, including fossil and hydro, combustion turbine, and nuclear design. In 1994, she moved to Southern Energy Inc., now Mirant. While there, she was responsible for Mirant's south region asset management and coordination of transmission system loads with adjoining utilities, including TVA.

In 2002, Kim moved to Southern Company Generation and Energy Marketing as director of portfolio management

responsible for trading strategies and long-term resource plans. She was named treasurer of Southern Company Services in 2003. Southern Company is based in Atlanta and is one of the nation's largest investor-owned utilities.

"We're losing one of our industry's top leaders," said Southern Company's CFO in a company-wide announcement. "Kim has shown extraordinary leadership in the finance and treasury organization while earning the respect of the larger financial community."

Southern Company's CEO added, "She is one of our industry's brightest stars. TVA is gaining an extraordinary talent."

"With Kim's appointment, we are able to bring to TVA a rare combination of business skills and experience. Her financial expertise is grounded in power-system operations, and that gives her an outstanding perspective on the business challenges TVA is facing," said TVA's CEO. "We are pleased to have another outstanding talent joining TVA's leadership team."

Greene earned a bachelor's degree in engineering science and mechanics from The University of Tennessee. She also earned a master's degree in biomedical engineering from The University of Alabama at Birmingham and a master's in business administration from Samford University in Birmingham.

She and her husband, Ted, have two daughters, Casady, 10, and Kendall, 7.

TVA is the nation's largest public power provider and is completely self-financing. It provides power to large industries and 158 power distributors that serve approximately 8.7 million consumers in seven southeastern states. TVA also manages the Tennessee River and its tributaries to provide multiple benefits, including flood damage reduction, navigation, water quality, and recreation.



Kim Greene

Bicent Power New EIM Member

Bicent Power LLC, a new company formed by energy industry executive Paul Prager and Natural Gas Partners VIII, LP that announced in July that it had completed the acquisition of the domestic independent power production business unit of MDU Resources, Inc., an EIM Member, has joined the Company.

The recently acquired business consists of Centennial Power, Inc., and Colorado Energy Management, LLC. Centennial Power's generating assets include 603 MW of electric generating capacity located in Montana, Colorado, California, and Georgia. The assets are fully contracted under mid- to long-term power purchase and sale agreements and include coal-fired, natural-gas fired, and wind-powered generation. Colorado Energy Management provides design, construction, operation, and maintenance services to energy providers.

At mid-August, EIM had a total of 174 Members.

EIM Property Facility

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lished at the overwhelming request of our Membership. Recognizing its past contribution, it would be very beneficial to see EIM's property capacity continue to increase over the foreseeable future. This certainly would benefit EIM and all its Members.

So how do we achieve this future growth? That is where you, the risk manager, come in. Only you can make certain that EIM plays a role in your property programs. Remember, EIM has not taken a lead role in any program as its role is to provide an additional level of capacity in your program under acceptable terms, conditions, and price established by the lead underwriter.

In conclusion, I would like to recommend that if you are not already doing so, that you please give strong consideration to having EIM participate in your property program and instruct your broker that you desire to have EIM participate. After all, EIM is your company and you should use this facility to your benefit.

EIM'S Balance Sheet at June 30, 2007 (Unaudited and Expressed in Thousands of U.S. Dollars)

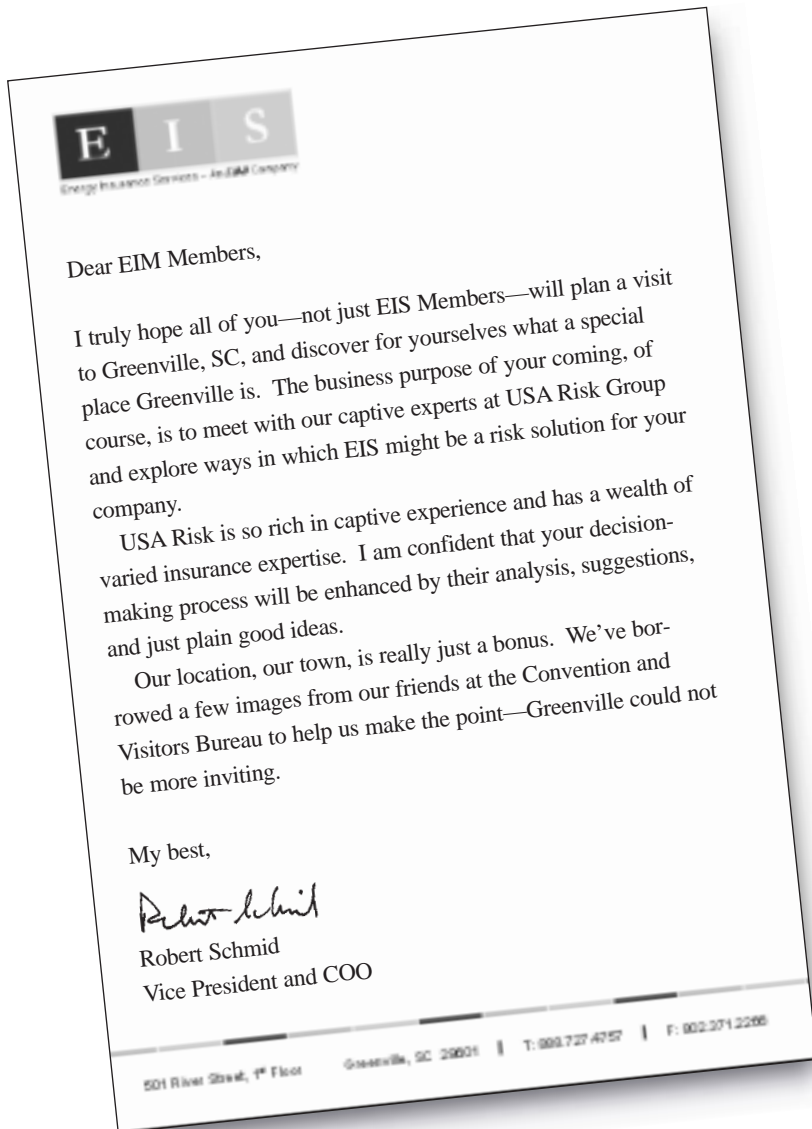
ASSETS	6/30/07	6/30/06
Investments	\$ 1,217,553	\$ 1,086,118
Cash and cash equivalents	15,037	30,068
Accrued interest	7,156	6,816
Income taxes recoverable	0	2,354
Deferred acquisition costs	1,355	1,378
Reinsurance paid in advance	56,720	57,503
Insurance balances receivable	4,410	0
Prepaid expenses	715	730
Reinsurance recoverable on unpaid losses	349,681	254,748
Investment in subsidiary	1,452	1,234
Property and equipment	885	1,118
Total Assets	\$ 1,654,964	\$ 1,442,067
LIABILITIES		
Reserve for losses and LAEs	\$ 762,055	\$ 724,312
Unearned premiums	92,776	94,458
Reinsurance balances payable	10,863	12,657
Deferred income tax	75,900	30,669
Insurance balances payable	0	971
Accrued expenses	4,148	4,566
Income taxes payable	4,020	0
Total Liabilities	\$ 949,762	\$ 867,633
POLICYHOLDERS' SURPLUS		
Retained earnings	\$ 526,072	\$ 468,605
Accumulated other comprehensive income	179,130	105,829
Total Policyholders' Surplus	705,202	574,434
Total Liabilities and Policyholders' Surplus	\$ 1,654,964	\$ 1,442,067

Statement of Operations for the Period January 1, 2007 to June 30, 2007

(Unaudited and Expressed in Thousands of U.S. Dollars)

UNDERWRITING INCOME	6/30/07	6/30/06
Gross premiums earned	\$ 102,052	\$ 106,066
Reinsurance premium assumed	3,002	4,269
Reinsurance premium ceded	(47,289)	(46,316)
Net Premiums Earned	57,765	64,019
UNDERWRITING EXPENSES		
Losses and LAE incurred - direct	78,752	78,962
Losses and LAE incurred - assumed	(6,055)	1,303
Reinsurance recoverable	(61,953)	(29,354)
Net losses & LAE	10,744	50,911
Administrative expenses	5,809	5,456
Total Benefits and Expenses	\$ 16,553	\$ 56,367
Income from underwriting	41,212	7,652
Net investment income	24,447	20,996
Income before Policyholders' Distribution	65,659	28,648
Less: Policyholders' Distribution	0	0
Income before income taxes	65,659	28,648
Less: Income taxes	19,920	7,291
Net Income	\$ 45,739	\$ 21,357

“Come to Greenville, Ya’ll”



Greenville won the 2003 Great American Main Street Award from the National Trust for Historic Preservation. Pithy quotes by Ralph Waldo Emerson, Yogi Berra, and Erma Bombeck are etched in the sidewalk by the Poinsett Plaza. One can even play hide-and-seek with nine bronze mice hidden along Main Street.

Boutiques, gift shops, specialty stores, and emporiums lie behind beautifully refurbished storefronts, some dating back to 1880. Art galleries abound.

EIM Members Invited to EIS Annual Conference Set for October

EIS will host its Annual Program Conference in Charleston, SC, Oct. 8-12—and EIS Members and non-members are cordially invited.

“In fact, this conference is an ideal time for EIM Members that are seriously considering EIS as a risk alternative to gather first-hand information, interact with the staff and all service providers, and talk with EIS Members that already have Mutual Business Programs (MBPs),” said

Robert Schmid, the Company’s chief operating officer.

The conference allows time for all MBPs to hold their required annual Program Advisory Committee meetings.

Detailed information is available on the EIM website, where one may register. If anyone would like to talk with someone about the conference or have any questions answered, please telephone Robert Schmid in Greenville at 864-527-5908 or Joan Bryant in Tampa at 813-287-2117.



As it winds its way out of the Piedmont mountains, the Reedy River puts on a spectacular show day and night. Running right through the center of the city, this is where the first settlers built a mill around 1770. The river and the 60-foot waterfalls are celebrated every day and night as people amble across an award-winning bridge spanning the falls.



More than 600 restaurants, 80 in the downtown area alone, serve a world of possibilities: Italian, French, Japanese, Thai, Greeks, Mexican, Dutch, Indian, and traditional Southern-style cuisine. Grab a table at an outdoor café. As Yogi Berra said, “You can observe a lot just by watching.”

Recent EIS Accomplishments

GAAP audit has been completed and filed with the South Carolina Department of Insurance. In order to more clearly focus resources and better manage time, EIS is launching its 2007 audit in September for certain aspects of the audit that can be completed before year’s end.



Accounting activity is now being managed through an integrated accounting package.



EIS has enhanced financial reporting, implemented internet banking, and shortened cycle times on all transactions. Before year’s end, Members will be invited to preview a Web-based portal exclusively for EIS Members.

EIS: Alternative Risk Management Solutions for EIM Members

Energy Insurance Services, Inc. (EIS), a wholly owned stock insurance subsidiary of Energy Insurance Mutual Limited (EIM), provides a risk management vehicle to EIM Members. Based in Greenville, SC, since late 2006, EIS is supported by the insurance management staff of USA Risk Group, which has its Greenville office on Main Street.

A Focus on Leadership

EIM Chairman Chuck Shivery's Thoughts on Leadership



The new chairman of Energy Insurance Mutual—**Charles W. Shivery**— is chairman, president, and chief executive officer of Northeast Utilities, Berlin, Connecticut.

Chuck joined NU in 2002, having retired earlier that year as co-president of the Constellation Energy Group, parent company of Baltimore Gas & Electric (BG&E) and other energy-related businesses. Over the years, he held numerous senior management positions at Constellation. He joined BG&E in 1972.

In May, at the EIM Annual General Meeting, Chuck was reelected to his second three-year term on the board of directors since rejoining the Board in late 2002, shortly after he joined Northeast Utilities. He had served previously on the EIM Board from April 1995 to April 2002. He also was elected EIM chairman in May 2007 after serving two years as vice chairman.

As EIM chairman of the board, Chuck chairs the executive committee. He also is vice chairman of two other Board committees, audit and strategic planning.

Are characteristics of a leader innate or acquired?

I'd say both—those qualities with which we are born can certainly be honed and developed. There are leadership capabilities in all of us. We each express them differently.

Are there personal attributes peculiar to being a CEO?

The CEO cannot do everything, but he or she is ultimately responsible for whatever happens. It's important, I think, that a CEO knows when to step in—but most of the time, lets others do their jobs.

How important is one's having a mentor?

Mentors, both inside and outside of the company, are very important. They share experience and provide wisdom; importantly, they also allow a candid exchange of ideas that comes from mutual respect.

Having been a company officer since 1980, tell us about your climb up the corporate ladder.

My career, like many, I suspect, has benefited from being given unexpected opportunities that I, in turn, welcomed and maxi-

On Being a Utility CEO

mized. Also, I think it is very important for aspiring managers to have a variety of jobs if they are interested in being a senior manager.

Having worked for two large utility systems, what role, if any, does corporate culture play in one's success?

No question, a culture of success breeds success.

New to NU, only a few years ago, what is the most critical decision that you made as its new CEO?

We changed the company's strategy; we exited all of our competitive businesses so that we might redirect all of our energies and efforts toward being a successful holding company system of regulated energy utilities. Now essentially complete, that strategic change is paying off for all stakeholders.

Do you agree with the notion that an organization, over time, will reflect the personality of the person at the top?

I do. The CEO sets the tone as well as the strategic direction.

How do respondents describe NU today?

In a word, successful. NU's shareholders are clearly realizing the benefits of our change in direction as are our customers, employees, and business partners.

How important is corporate reputation?

Corporate reputation is critical! With a solid reputation, one marked by integrity and serving the public interest, public opinion usually will give you the benefit of the doubt when issues arise.

What is your heaviest responsibility?

It is ensuring that Northeast Utilities has the correct strategic direction and the employee and management talent for the future.

Is there anything about being CEO that keeps you awake at night?

A lot of things!

What do you enjoy most about the job?

Being able to influence positive outcomes for employees, customers, and shareholders.

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At Northeast Utilities, We Are...

New England's leading high-voltage electric transmission provider, building one of the nation's most far-reaching transmission system upgrades.

Connecticut's largest electric utility, serving nearly 1.2 million customers in 149 communities and offering highly effective conservation and efficiency programs to save energy, money, and the environment.

Connecticut's largest natural gas distributor to 200,000 customers in 71 communities, completing the largest construction project in Yankee Gas history—a 1.2-bcf LNG storage facility.

New Hampshire's largest electric utility, serving more than 490,000 customers in 211 communities, owning diverse regulated generation and operating the newly constructed Northern Wood Power Project at Schiller Station, one of the largest wood-fired renewable energy plants in the U.S.

Western Massachusetts' major electric utility, serving more than 200,000 customers in 59 communities and deploying a state-of-the-art radio network to speed communications with field personnel and improve safety in our service area.

Our People—enthusiastic, dedicated men and women delivering service and value to our shareholders, customers and communities for over 40 years.

Nine Staffers Over 10 Years



Come November 17, when Jane Murphy celebrates her 10th anniversary, these nine EIM employees all will have been with the Company 10 years or more. They are, from left, Jill Dominguez, 14; Sam Garvin, 19; Deana Edmonds, 13; Donna Dunlap, 19; David Hadler, 13; Jane Murphy, 10; Martee Turner, 15; Sandra Imbriani, 13; and India Diaz, 17.

EIM Chairman Chuck Shivery's Thoughts on Being a Utility CEO

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What advice would you give an aspiring middle manager?

First of all, do something that you really enjoy. Otherwise, you won't do the best job. If possible, accept varied assignments. A variety of job experiences provides a critical underpinning for senior management positions.

What advice would you give a young business student?

Take a broad spectrum of courses.

How do you find time to be EIM chairman?

One makes time for things that are important. EIM is so important to and highly valued by its Members that it is really a privilege to be its chairman.

Describe your experience as an EIM Board member.

It has been a wonderful experience. The Board is comprised of outstanding individuals, both professionally and personally, who truly have EIM's best interests at heart. It is such a pleasure for me to work with these men and women—including a number of directors whose service was in earlier years.

Vernon Yu of Enbridge Named EIM Member Representative

Vernon D. Yu, vice president, enterprise risk, Enbridge, Inc., Calgary, Alberta, Canada, has been named EIM Member Representative.

In 1988, Vernon earned a bachelor's degree, with honors, in engineering from Queen's College, Kingston, Ontario. He received his MBA in 1992 from the University of Toronto.

In his present position since September 2006, Vernon joined Enbridge in July 2002 as director, financial risk. He remained in that position until July 2005 when he was elected assistant treasurer.

ENERGY INSURANCE MUTUAL MEMBERS REPORT

EIM's *Members Report* is published up to four times per year. The Company's annual report is published in May. Comments, questions, and suggested subjects from Members are sincerely welcomed. Please send information to the EIM office in Tampa.

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