

# MEMBERS REPORT

ENERGY INSURANCE MUTUAL

VOLUME 23, ISSUE 1

JANUARY 2009

## Company Continues To Receive High Scores in Annual Survey

The Company's 2008 Customer Satisfaction Survey, which the Insurance Advisory Committee conducts each year by telephone and e-mail, was again highly favorable.

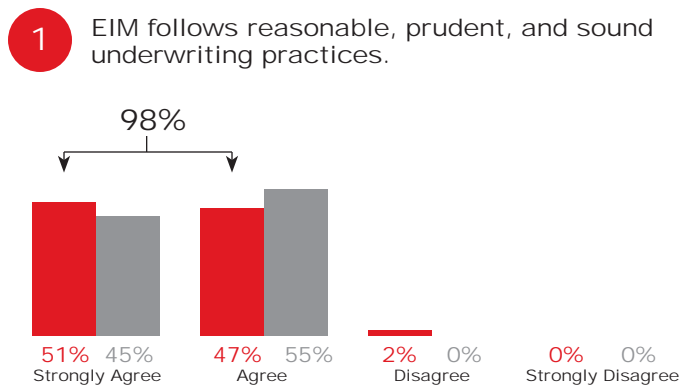
Ten of the 16 questions scored slightly higher than in 2007, while four were slightly lower; two were exactly the same. These comparisons are seen in the charts that follow. There were 114 risk-manager respondents who completed the 2008 survey. There were 119 respondents in 2007.

"Each year, we look forward to having this input from our Risk Manager Representatives," said David Hadler, EIM president and CEO. "We take the criticisms seriously and follow up on each one to see if we can turn even the slightest negative into a positive opinion by the next year."

EIM first surveyed the Membership in April 1993. The IAC annual survey has been conducted since 1995.

### 2008 IAC Survey Results

■ 2008 Results      ■ 2007 Results



(Continued on page 2)

### From the IAC Chair

## Debbie Gaffney Comments on Strategic Planning



Debbie Gaffney

In late November, I participated in my first meeting with EIM's strategic planning committee as the IAC chair. This is a group of highly knowledgeable individuals from the Board, including Chairman of the Board Chuck Shivery, EIM management, and two risk managers.

This group reviews the state of the market and its impact on EIM and its Members, but it also brainstorms to look for opportunities for EIM and ways that it can

(Continued on page 11)

## EIS Annual Program Conference To Return to Greenville in 2009

Energy Insurance Services' 2008 Annual Program Conference, Oct. 13-17, was so well received that the 2009 conference will return to Greenville, SC, probably for the week of Sept. 21, according to the company's COO Robert Schmid.

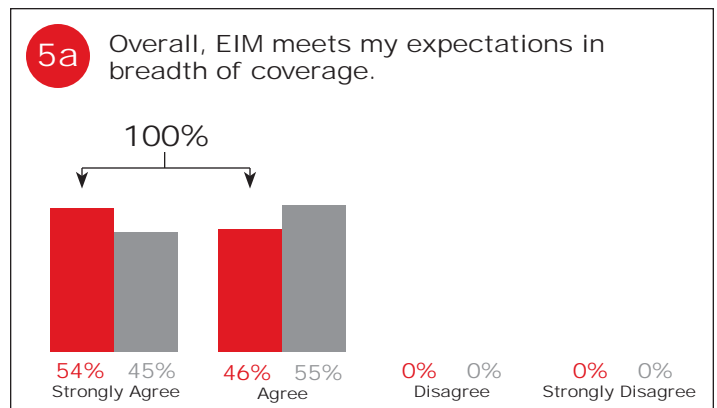
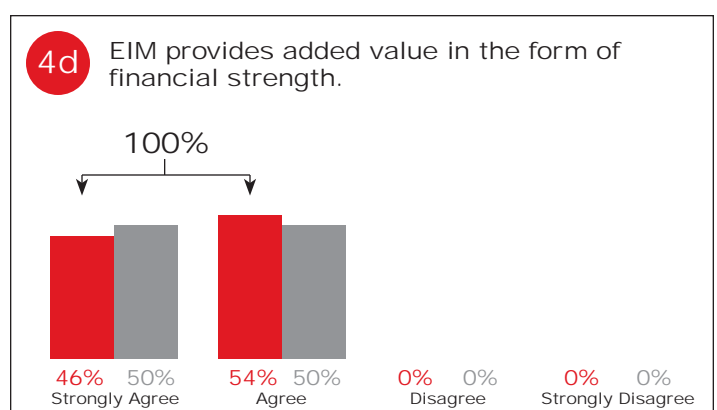
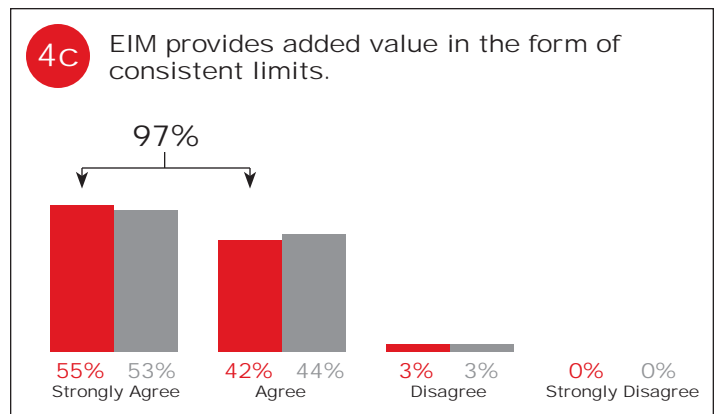
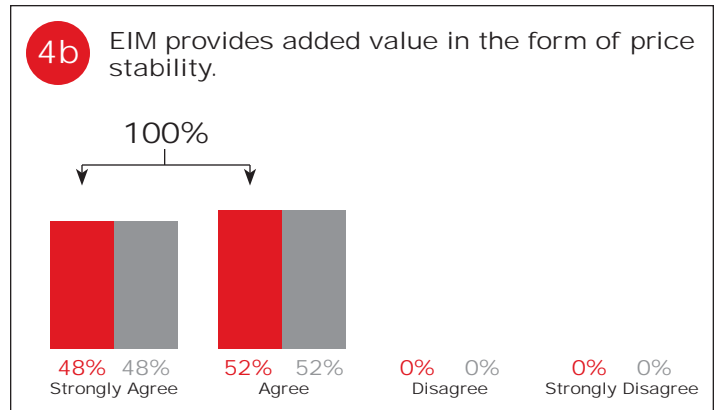
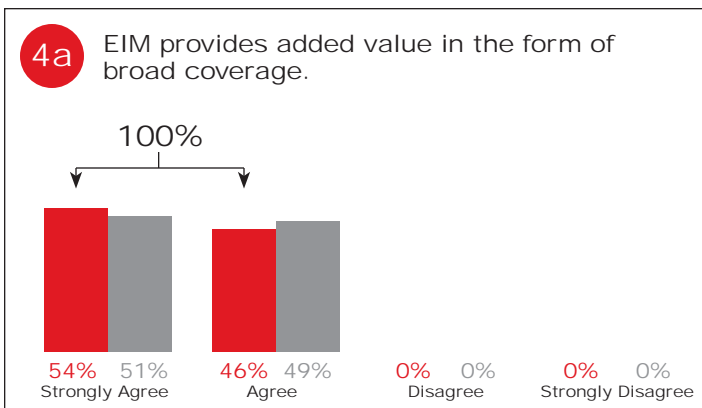
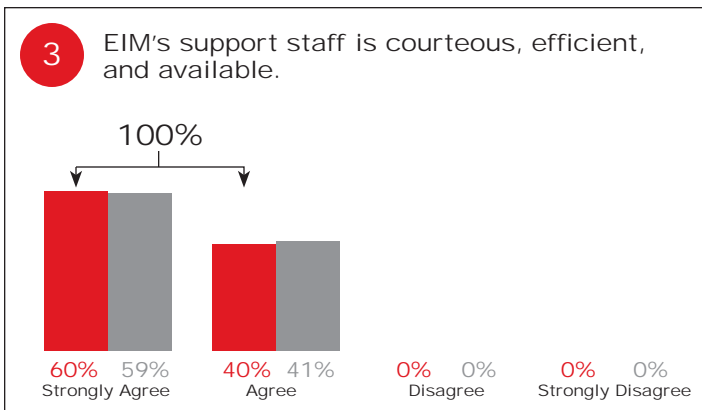
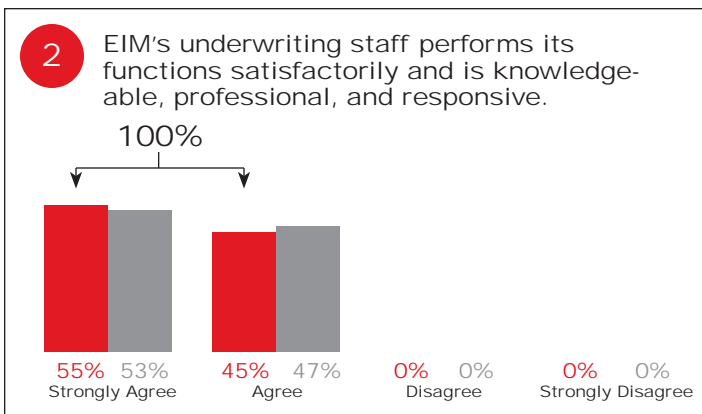
Approximately 85 persons, including members of 11 Mutual Business Programs' respective Program Advisory Committees, attended the conference to review aspects of MBP operations

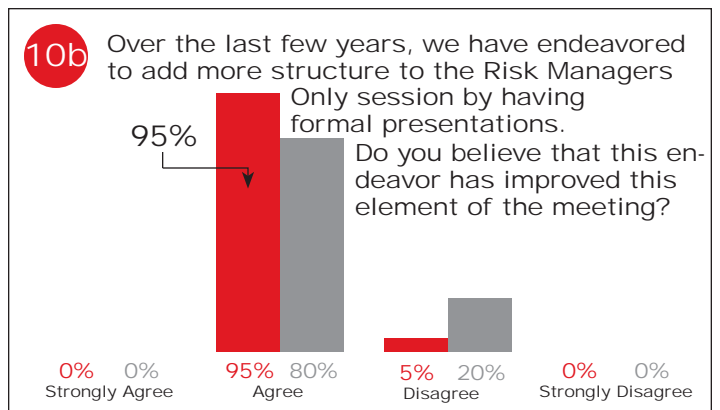
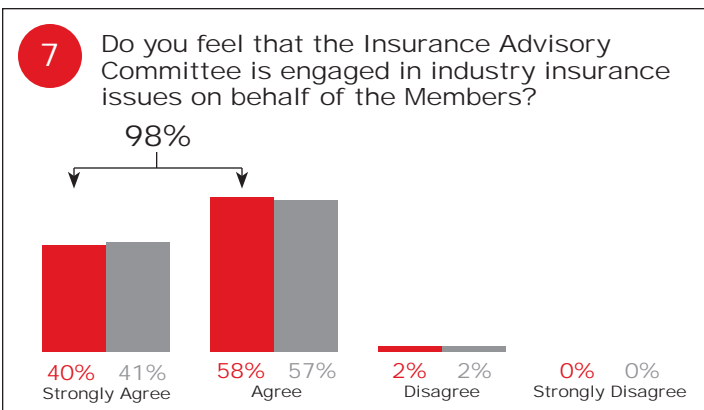
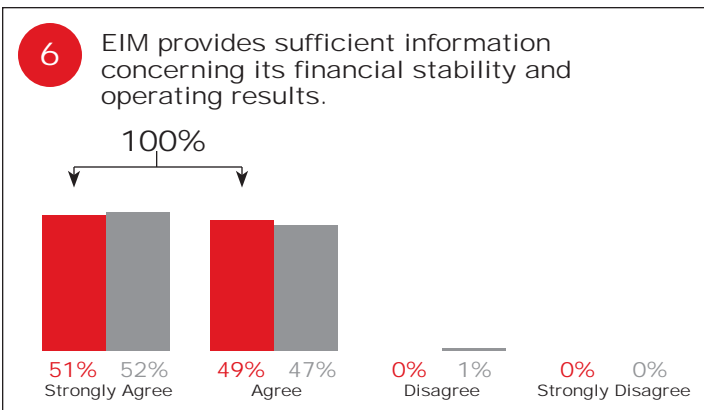
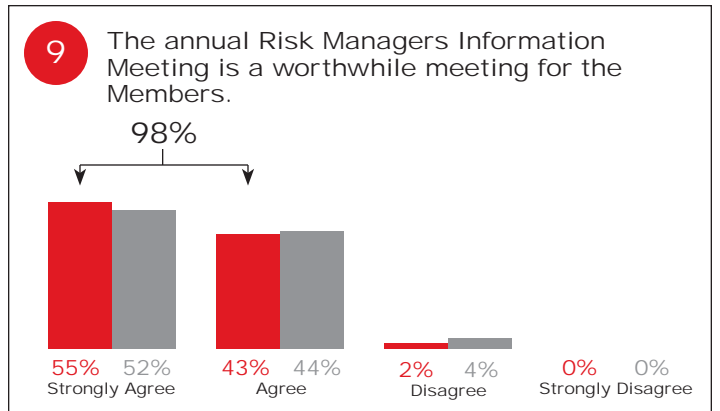
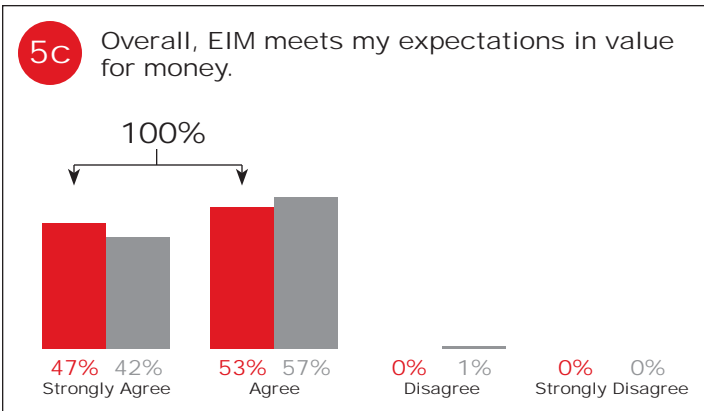
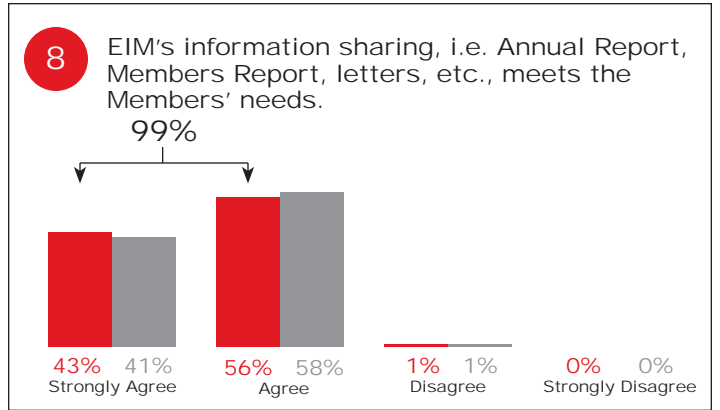
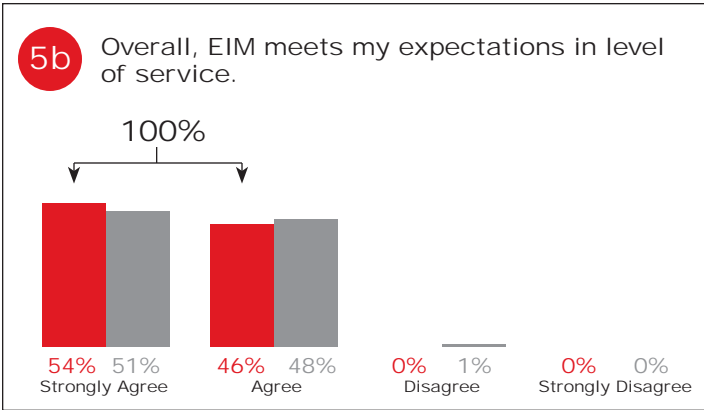
(Continued on page 4)

(Continued from page 1)

## Energy Insurance Mutual 2008 IAC Survey Results

■ 2008 Results      ■ 2007 Results





EIS Annual Program Conference To Return to Greenville in 2009

(Continued from page 1)

*“The Members we serve held productive meetings while enjoying their time in Greenville. Several spoke of returning with their families for a vacation. It is a beautiful little city with more than its share of charm and many activities of interest.”*



for the current year as well as plan for changes for next year. The various PACs met during the first four days to review their MBP’s financials, underwriting issues, policy renewal activity, and other important features of their program’s performance.

On Wednesday morning, a number of the participants traveled to nearby Asheville, NC, to tour the Biltmore House and Gardens. That afternoon, there was a group meeting at the Westin Poinsett, the conference hotel in downtown Greenville.

The featured speakers at the group meeting were:

- Rob Hoak, Wachovia Bank, Birmingham, reviewed Wells Fargo’s acquisition of Wachovia and its implications for customers such as EIS. He said it would take a year to meld all processes, making certain they have taken the best processes from each of the two companies that are merging. The acquisition was expected to have been completed Dec. 31.
- Mike Ferguson and Tonya Severance from the South Carolina Captive Insurance Association spoke of that organization’s purposes and programs.
- Tommy Bolton of Johnson Lambert & Co. discussed the current audit plan for EIS.
- Tobias Burke, USA Risk Group, focused on the current efforts that will ultimately lead to that firm’s passing a SAS-70 audit.

The group meeting concluded with a Closed Session for PAC members. Approximately 45 persons participated in that session.

On Friday, several EIM Members who are considering the formation of new MBPs to augment their risk management platforms met with EIS to learn more about its operations. At present, there are 14 MBPs within EIS that have total assets of almost \$1.6 billion.

“The Members we serve held productive meetings while enjoying their time in Greenville,” said Robert Schmid. “Several spoke of returning with their families for a vacation. It is a beautiful little city with more than its share of charm and many activities of interest.”

---

## Enel NA, EIM's Newest Member Focuses on Renewable Energy

---



**E**nel North America, Inc., a leading owner and operator of renewable energy projects in North America, with a presence in 20 U.S. states as well as three Canadian provinces, is EIM's newest Member.

Based in Andover, MA, Enel NA has a uniquely diversified renewable energy portfolio, generating electric power from hydropower, wind, biomass, and geothermal. This dedication to a quadruple suite of renewable technologies sets Enel NA apart from other independent power producers.



*"Smoky Hills" is the biggest wind farm ever constructed by Enel and is the biggest wind farm ever constructed in Kansas. Expected to be operational by the end of 2008, the wind farm is meeting the needs of 85,000*

*American households and avoiding the release in the atmosphere of 750,000 metric tons/year of CO2 emissions.*

Enel NA currently operates over 70 projects with a total installed capacity of approximately 410 MW. In addition, Enel NA has 190 MW of wind power under construction with over 1,000 MW more in the pipeline, 150 MW of geothermal under development, and various hydropower upgrades planned in North America.

Enel NA purchased CHI Energy, Inc. in December 2000 and renamed the acquired company Enel North America shortly thereafter. CHI Energy had been founded in 1985 and focused primarily on developing and operating small hydroelectric facilities.

Enel NA is a subsidiary of Enel S.p.A, one of the world's largest diversified energy companies. Globally, Enel produces, distributes, and sells power and gas to more than 52 million customers in 22 countries of Europe, North America, and Latin America. The company produces about 30,000 MW of electricity from plants using renewable sources such as hydro, geothermal, wind, photovoltaic, and biomass.



**January 16  
Deadline for RMIM  
Registration**

**Registration for the 23rd annual Risk Managers Information Meeting must be completed by January 16. One may register on the Company's website.**

**The meeting, which usually includes approximately 300 participants, will be held February 22-24 at Omni Orlando Resort at ChampionsGate.**

**Jane Murphy and Taniyka Ragland, EIM staff, are coordinating the 2009 RMIM. Questions should be asked of them.**



---

*Newest IAC Member*

# Ameren's Mark Blair, "Huge"



**A**t the August 2008 EIM Board meeting, Mark E. Blair, then director, insurance operations, Ameren Services Company, St. Louis, was approved for membership on the Company's Insurance Advisory Committee. He was elected by the IAC at its June meeting.

Newly promoted, Mark's current title is manager, insurance risk management.

Mark has worked for the utility since March 1979, when he joined Union Electric as a temporary employee. He worked in power plants for almost eight years before joining the company's corporate secretary's department, where corporate insurance was housed. He was the department's office supervisor for a number of years.

In December 1996, Union Electric and Central Illinois Public Service came together to form Ameren Corporation. The two operating companies continue as operating subsidiaries of Ameren. In 2000, Mark moved to Ameren Services Company as insurance specialist. In 2003, he was promoted to his current position where he is responsible for developing and implementing Ameren's insurance strategy.

A member of RIMS, Mark is a member of the NEIL IAC executive committee where he currently chairs the Credit and Penalty Task Force. He also is a member of the EEI Risk Management Committee.

Mark describes himself as a "huge" fan of the St. Louis Cardinals baseball team.

## How has your company changed during these past 30 years?

First and foremost is the growth of the company. Ameren has gone through a merger and two acquisitions in the past 10 years or so. Everyone knows the impact that had on the electric side of our business. Just as important (but more easily overlooked) was the growth of our gas business. Each transaction effectively doubled the size of our gas business. We went from a fairly small gas distributor to a large one in a short period of time. Another change I see is the increased emphasis on risk management. For years, people spoke about risk management, but it garnered more word play than action. That has all changed and is reflected in the full scale implementation of

# St. Louis Cardinals Fan



a structured enterprise risk management program with buy-in from the board of directors and senior management. It is no longer just rhetoric.

**Comment also on the changes you've seen in the industry.**

There have been numerous changes in the industry over the years. Merger-and-acquisition activity has reduced the number of utilities. The Public Utility Holding Company Act was repealed. There has been an unprecedented growth of merchant plants. Power plants have been sold or spun-off into exempt wholesale generator companies. Finally, a common thread in my company, and I sense all of the other utilities, is more work with fewer people.

**What sea changes, if any, do you see just ahead?**

Environmental restrictions and stricter legislation will impact even more our business decisions. There are these questions: How are utilities going to address carbon emissions, new

source review, green energy, etc., in ways that make economic sense? There is also a renewed interest in building new nuclear power plants. Companies will have to find a way to finance future energy needs, particularly the cost of nuclear.

**Tell us about your work in the power plants.**

I worked in power plant maintenance for eight years, and for most of that time, I was a certified welder. In order to comply with jurisdictional inspections, certain welds in boilers and other pressure vessels must be made by a certified welder. I am probably the only risk manager in history to have actually repaired a tube leak.

**How does that experience apply to your current job?**

When I visit our plants, I have an appreciation for the constraints and working conditions under which operating personnel work each and every day. While the risk management message never changes, I do believe that cooperation comes

*(Continued on page 12)*

## IAC Task Force Updates

The IAC currently has two task forces, one working on cyber security and the other on carbon sequestration.

For cyber security, Julie Jackson is the chair, with Bob Dillard, Gary Little, Randy Martin, and John Luley participating. For carbon sequestration, Randy Martin is the chair and its members are John Luley and Jack Hadsall.

During the third quarter of last year, the IAC conducted an electronic survey on these two topics and had some 50 Members respond.

In the area of cyber liability coverage, the responding risk managers indicated an interest in learning more about the risk and the coverage applicability. They indicated that while they would be interested if EIM offered this coverage they believe there is currently adequate capacity in the market without EIM's participation. EIM plans to continue to monitor this risk and Member interest over the next six to eight months.

The electronic survey also asked Members questions on carbon sequestration. This subject affects fewer Members. Also, it is evident there is much more to come regarding this

exposure and the liability.

The IAC also had a task force consisting of Bob Dillard and Debbie Gaffney that worked with the Energy School to assist with obtaining speakers and helping with the case studies. There were 29 attendees at the school in October and the level of satisfaction was an 8.8 out of a 10.

In addition, Sandy Hart, Debbie Gaffney, and Mark Blair are to take a look at the Member Satisfaction survey document to determine if questions need to be modified and updated or if they are satisfactory as is. The two IAC members will also consider conducting the 2009 survey electronically instead of telephoning.

According to IAC Chair Debbie Gaffney, "Our entire IAC and EIM staff have done a lot of work on these task force topics. I cannot say enough about how impressed I have been with the amount of time that has been spent. Our on-going goal, of course, is to stay abreast of new topics, risk and coverage that may affect our Members. That remains one of the major strengths of being insured through this Member-based insurance company."

Following its December 8-9 meeting in Tampa, the Insurance Advisory Committee met with several Member Brokers, discussing such subjects as: state of the insurance market, construction trends in the industry, propane and LNG risks, D&O market issues, capacity for property coverage, and cyber liability.

The brokers who participated were Scott Sink, McGriff; Chris Scontras, Aon; Jonathan Ball, Marsh; David Scott, Willis, and Jim Hess, Lockton.



Seated, from left to right, Jim Hess, Lockton; Bob Semet, Exelon; Mark Blair, Ameren; and Gary Little, Progress. Standing, from left, Scott Sink, McGriff, and Chris Scontras, Aon.



From left to right, Mark Blair, Ameren; Chris Scontras, Aon; and Jack Hadsall, City Utilities of Springfield.



From left to right, Jon Ball, Marsh; Jack Hadsall, City Utilities of Springfield; and Bob Semet, Exelon.



**EIM'S Balance Sheet at September 30, 2008**  
(Unaudited and Expressed in Thousands of U.S. Dollars)

<b>ASSETS</b>	<b>9/30/08</b>	<b>9/30/07</b>
Investments	\$ 1,057,219	\$ 1,205,573
Cash and cash equivalents	20,526	21,108
Accrued interest	6,480	5,522
Income taxes recoverable	5,149	15,181
Deferred acquisition costs	1,166	997
Reinsurance paid in advance	41,903	56,028
Insurance balances receivable	2,854	1,845
Prepaid expenses	653	690
Reinsurance recoverable on unpaid losses	444,465	364,849
Investment in subsidiary	1,753	1,596
Property and equipment	547	829
Total Assets	<u>\$ 1,582,715</u>	<u>\$ 1,674,218</u>
<b>LIABILITIES</b>		
Reserve for losses and LAEs	\$ 913,897	\$ 806,673
Unearned premiums	88,896	93,388
Reinsurance balances payable	11,285	11,689
Deferred income tax	5,757	78,250
Accrued expenses	2,118	4,189
Total Liabilities	<u>\$ 1,021,953</u>	<u>\$ 994,189</u>
<b>POLICYHOLDERS' SURPLUS</b>		
Retained earnings	\$ 515,350	\$ 494,358
Accumulated other comprehensive income	45,412	185,671
Total Policyholders' Surplus	<u>560,762</u>	<u>680,029</u>
Total Liabilities and Policyholders' Surplus	<u>\$ 1,582,715</u>	<u>\$ 1,674,218</u>

**Statement of Operations for the Period**  
January 1, 2008 to September 30, 2008  
(Unaudited and Expressed in Thousands of U.S. Dollars)

	<b>9/30/08</b>	<b>9/30/07</b>
<b>UNDERWRITING INCOME</b>		
Gross premiums earned	\$ 137,838	\$ 153,296
Reinsurance premium assumed	1,741	4,196
Reinsurance premium ceded	(62,337)	(70,902)
Net Premiums Earned	<u>77,242</u>	<u>86,590</u>
<b>UNDERWRITING EXPENSES</b>		
Losses and LAE incurred - direct	168,398	198,131
Losses and LAE incurred - assumed	3,685	(4,103)
Reinsurance recoverable	(97,295)	(92,920)
Net losses and LAE	<u>74,788</u>	<u>101,108</u>
Administrative expenses	6,720	7,620
Total Benefits and Expenses	<u>\$ 81,508</u>	<u>\$ 108,728</u>
(Loss) income from underwriting	(4,266)	(22,138)
Net investment income	<u>30,502</u>	<u>35,710</u>
Income before Policyholders' Distribution	26,236	13,572
Less: Policyholders' Distribution	<u>0</u>	<u>0</u>
Income before income taxes	26,236	13,572
Less: Income tax (benefit) expense	4,364	(453)
Net Income	<u>\$ 21,872</u>	<u>\$ 14,025</u>

---

## Five Members Name Six New Representatives

---

**F**ive EIM Member Companies—AES, Central Arizona Project, Chesapeake Energy Corporation, New Jersey Resources Corp, and RGC Resources—have named six new Member representatives.

### AES

---

**Mary Kate Stoller**, AES risk manager, is the Member's new EIM Risk Manager Representative. AES is headquartered in Arlington, VA.

A native of New York, Mary Kate graduated in 1984 from Sayville High School, Sayville, NY, and in 1988 from Vassar College, Poughkeepsie, NY. She earned her MBA in 1997 from Stern School of Business at NYU, New York City.

Mary Kate joined AES in December 2007. She began her career at Travelers as claims supervisor. Then she moved to ESIS as account specialist and then National Energy and Gas Transmission as director, insurance, before joining AES.

She is the former vice president of communications for Potomac RIMS.

### Central Arizona Project

---

**Theodore C. Cooke**, assistant general manager, finance and information technologies, and **Marc R. Shockley**, insurance and risk administrator, Central Arizona Project, Phoenix, have been named EIM Member Representative and EIM Risk Manager Representative, respectively.

A native of Columbus, OH, **Theodore Cooke** received in 1977 his bachelor's degree in physics from Loyola Marymount University, Los Angeles; his MBA in 1979 from UCLA, also in Los Angeles; and his doctorate in business in 2000 from California Coast University, Santa Ana.

Theodore joined Central Arizona Project in February 1999. For seven years prior to that, he worked for OESI Power Corporation, Lake Oswego, OR, where he was vice president. Other previous employers include Tri-National Power, San Diego, and Luz International, Los Angeles.

With seven professional certifications, Theodore has membership in the Association of Government Accountants, Institute of Management Accountants, Government Finance Officers Association, Government Finance Officer Association of Arizona, Association of Professionals in Business Management, Association of Certified Fraud Examiners, and Information Systems Audit and Control Association.

**Marc Shockley**, who is a native of Crawfordsville, IN, gradu-

ated in 1973 from Arizona State University, Tempe, with a bachelor's degree in business administration.

From November 1965 to October 1987, Marc served in the United States Navy and later, the US Navy Reserve. He began his insurance career in 1970 while attending college. He has worked in commercial sales with Employers of Wausau, Phoenix, and then Sentry Mutual Insurance, Scottsdale. From January 1985 to April 2000, he was employed by Gallagher Alliance Insurance, Phoenix, where he was manager, contractors profit center. Marc moved to Central Arizona Project from Gallagher Alliance Insurance.

Marc holds two professional certifications: CIC and CRM. He is a past president of the Central Arizona Chapter of RIMS and a board member of the Arizona Chapter of PRIMA.

### Chesapeake Energy

---



*Stacy Roberts*

**Stacy Roberts**, risk manager, Chesapeake Energy, Oklahoma City, is the new EIM Risk Manager Representative.

A native of Arnett, OK, Stacy graduated in 1989 with a bachelor's in business administration from Southwestern Oklahoma State University, Weatherford.

From June 1989 to November 2005, Stacy worked for Kerr-McGee Corporation, also in Oklahoma City. She was manager, risk management, when she left to join Tronox Incorporated as director, risk management, also in Oklahoma City. She moved to Chesapeake Energy in February 2006.

Her professional credentials include CPCU and ARM.

### New Jersey Resources

---

**William Foley**, treasurer, New Jersey Resources, Wall, NJ, is this Member's recently appointed EIM Member Representative.

Born in Elizabeth, NJ, William attended two New Jersey universities. He received in 1978 a bachelor's degree from

---

Rider University; in 1981, an MBA from Seton Hall University.

William joined New Jersey Resources in September 2007 in his present position. For two years before joining the utility, he was director, commodity derivatives, at Société Générale Bank, New York City. William also worked for several years at Dutsches Bank and before that at the New York Mercantile Exchange, both in New York City.

## RGC

**Howard T. Lyon**, vice president, treasurer, and CFO, RGC

Resources, Roanoke, VA, is this Insured's recently named EIM Member Representative.

A native of Roanoke, Howard graduated with a bachelor's degree, with a focus on accounting, in 1983 from Virginia Tech, Blacksburg.

From 1983 to 1987, he was employed by Deloitte, Haskins, & Sells. Howard joined RGC in 1987. Before he was elected to his current position, he was the company's controller.

Howard is a board member and chairman of the audit committee of Goodwill Industries of the Valley. A CPA, he also is chairman of the finance committee of Northview United Methodist Church.

---

## Debbie Gaffney Comments on Strategic Planning

*(Continued from page 1)*

add additional value and benefit. They truly dig in to the subject matter and its possibilities. I was impressed with the open discussion and thought that went in to this session and the commitment of the participants.

In this November session, there was much to discuss with the incredible downturn in the financial market and its impact on EIM surplus. As expected, EIM has seen a drop in its investment earnings; however, the company has historically maintained a conservative approach in its investments and in its surplus position, so these market conditions have not been as painful for EIM as they have been for many others.

EIM also has an enterprise risk effort ongoing, reviewing its risk as a whole and not in silos. EIM has been putting itself through the various reviews and exercises that many of you have been involved with at your own companies in your ERM efforts. (I think it safe to say that EIM has been cautious in its product development and that it does not have the exposure to those riskier financing products that AIG had.)

The committee engaged in a deep-dive discussion into possibilities on many fronts. I was most impressed that the discussions were so open, a true brainstorming effort with some very bright individuals who have a broad experience base. The group discussed a wide-spectrum of subjects—climate change legislation and its impact, cap and trade, new nuclear generation, renewables, carbon sequestration, insurance market conditions, and claims. If there were any stones left unturned, they weren't the big ones.

My conclusions from all of this:

1. EIM is utilizing its resources well by involving highly



*Debbie Gaffney*

experienced utility executives in its strategic review and planning and that the process is active and ongoing.

2. EIM does what it does very well. It offers significant capacity on a handful of product lines. It does this as a whole with a steady hand; avoiding wide swings and unpredictability in pricing and without entering and exiting product lines in an erratic fashion. That is not to say, however, that the Company does not spend significant time exploring new products and new or different ways to cover risk and benefit its Members.

Members should take comfort in the fact that EIM is truly in this business to benefit its Members on a long-term, stable basis. It is not here to jump into a market to make a quick buck only to lose it and move just as quickly down the road. EIM takes a serious, thoughtful approach to the products it offers and the Membership benefits it offers.

## Ameren's Mark Blair, "Huge" St. Louis Cardinals Fan

(Continued from page 7)

quicker because I have actually worked in the plants.

Another advantage is in the area of claims handling. My time in the plants has afforded me a unique understanding of the equipment which allows me to more fully explain to underwriters and claims managers what failed, why it failed, and how it relates to the whole.

### What do you enjoy most about your current assignment?

I love not being tied to my desk eight hours a day. Since risk management touches nearly all phases of the corporation, I get to interact with a variety of departments and people throughout the company. One minute I might be giving a presentation to senior management and the next reviewing a construction contract or meeting with plant engineers.

### Describe the role of advisory committees to organizations such as NEIL and EIM.

The advisory committees are just what their names imply. They provide advice and insight to the respective organizations by analyzing and helping provide solutions to problems, risks, etc., always keeping the concept of the mutual in mind.

### Why did you wish to be a member of EIM's IAC?

I simply felt that getting involved in the Insurance Advisory Committee was a great opportunity. You get to meet and network with a number of people and gain insights into why EIM does certain things. I have always felt that it is our duty, as Member representatives, to be personally involved and supportive. Fortunately, my management supports and encourages my involvement.

### What do you hope to contribute?

EIM is a well oiled machine. It was successful before I joined

the IAC and will be successful once I am long gone. I have enough to do without trying to fix what isn't broken. My goal is a simple one—to listen to the Members and EIM staff and then focus on solutions for issues important to the entire Membership.

### What do you consider EIM's greatest strength?

Available limits, financial strength, and knowledge of our business.

### What does being a "huge" fan of the St. Louis Cardinals mean?

I live and breathe Cardinal baseball and have since the Cardinals won the 1964 World Series against the Yankees. During the season, the first things I read in the morning newspaper are articles on Cardinal baseball even though I either watched or listened to the game the night before. I attend as many games as possible during the season. I also keep track of how Cardinal minor league players are hitting and pitching. Last year, the Cardinals had a fundraiser where you could purchase a brick with your name and a short message on it. The bricks were then placed around the stadium. For Christmas, my wife gave me a brick that reads, "Mark Blair, citizen of Cardinal Nation." She thought it was a good way for me to show my allegiance to the Cardinals.

### Finally, describe your ideal work day.

My ideal day would consist of meeting with underwriters on a renewal, then talking to one of my counterparts at another utility to discuss how they address a certain issue or risk, and finally going to one of the plants in the afternoon to meet with the folks that generate the power. Basically, what I did was take three of the most enjoyable tasks and turn them into a day's work.

## 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.

**Energy Insurance Mutual, Bayport Plaza, Suite 550**

**3000 Bayport Drive, Tampa, FL 33607-8412**

**1-800-446-2270 ■ Telephone: (813) 287-2117 ■ Telefax: (813) 874-2523**

**[www.eimltd.com](http://www.eimltd.com)**