

Members Report

EIM's Chairman of the Board **Ed Holland Sees Company in Best Position Ever**

EIM's new chairman of the board—G. Edison Holland, Jr., of Southern Company, who goes by Ed—believes EIM is in “as good a position as it has ever been.”

He cites several reasons:

“Between 2008 and 2012, EIM experienced considerable improvement in three key areas: claims, investment performance, and surplus growth.”

“Our CEO is such a good fit, a man who is open to other ideas, finds new ways to measure success, and believes in continuous improvement. Scott (Goodell) is a great strategic thinker and planner.”

“Finally, the EIM Board is a very dedicated group of executives who have an appetite to master the insurance business.”

“Between 2008 and 2012, EIM experienced considerable improvement in three key areas: claims, investment performance, and surplus growth.”

Ed Holland, elected EIM chairman this past May, after serving as vice chairman for two years, has only been a Board member since 2009. “As a result of a variety of circumstances, all of them valid and unavoidable, I find myself already the third longest-tenured director from a Member Company.”

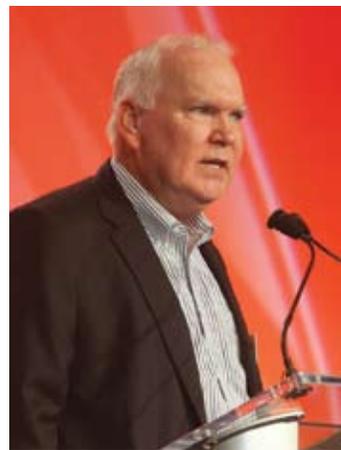
“Our current Board also realizes—and this may be the most important distinction of all—that the Board and the Company have only one purpose: to serve our Members,” Ed

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Midway, Three-Year Strategic Plan on Track

By Scott Goodell

EIM has reached the halfway point of its three-year strategic plan that began in January 2011. The plan encompasses not only financial goals and objectives but also highlights key benchmarks relating to Member Satisfaction, Business Processes, and People.



Scott Goodell

Financials

In the EIM strategic plan brochure distributed to all Member Company risk managers (and available on EIM's Member Portal at www.eimltd.com), seven financial metrics were highlighted. These metrics are summarized on the following page.

In terms of total Membership, the strategic plan calls for three-year Member growth from 168 to 172. At year-end 2011, EIM had 162 Members, driven in large part by a consolidating energy industry. Despite the shortfall in the 2011 Member count, EIM maintained its original targets of 170 and 172 Members for 2012 and 2013, respectively. We expect to end 2012 with 164 members, eight short of target. However, we are seeing increased interest in potential Members from public utility districts as well as gas pipeline operations.

In discussions with EIM's Board concerning Membership count, there is unanimous agreement

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that growing Membership is important but should not supplant sound underwriting discipline and maintenance of EIM's overall risk profile. We will continue to adhere to these tenets for the remainder of the three-year strategic plan and beyond.

At year-end 2011, surplus was \$783 million, or \$32 million ahead of plan, prompting an adjusted surplus target of \$818 million for 2012. At June 30, 2012, surplus stood at \$810 million. Assuming that investment results hold and loss reserves remain within budget, EIM should again surpass its planned surplus level. In addition to generating further discussion with the Board concerning a distribution to Members, the 2012 closing surplus could drive a new, and higher, target for 2013.

Projected Surplus and Key Financial Figures through 2013					
	2009	2010	2011	2012	2013
Membership	168	164	168 162	170 164	172
Surplus	\$652M	\$727M	\$751M \$783M	\$818M \$810M	\$862M
Combined Ratio	-16%	54%	100% 59%	101% 111%	100%
Open Claim Count	742	753	715 760	680 679	650
Net Premium (\$mil's)	\$95	\$92	\$94 \$96	\$98 \$106	\$98
Investment Yield	19.5%	8.2%	3.9% 4.0%	3.6% 4.5%	5%

Loss ratios, both for losses and expenses, are on target, as is the projected combined ratio at 101 percent. The combined ratio stood at 111 percent at June 30, 2012, reflecting first-half reserve activity but should continue to trend toward target through year-end. Similarly, net premium (gross written premium after deduction for expenses and reinsurance costs) was on target in 2011 and projected to be slightly ahead of budget at year-end 2012. Premium increases have been driven in large part by upward adjustments, on certain accounts with recent loss experience.

The three-year plan expressly called for a reduction in open claim counts from 715 to 650. In 2011, open claims totaled 760, well above target. However, by mid-year 2012, open claim count dropped to 680 against a target of 679. This drop was occasioned by a detailed review of Category 1 (precautionary) claims, where older, inactive claims deemed unlikely to impact EIM were closed.

Finally, investment results on EIM's \$1.2-billion investment portfolio were on target in 2011, and through the first half of 2012, slightly ahead of the four-percent target established in the strategic plan. EIM has worked hard to monitor more efficiently the performance on its equity and fixed income portfolios, and in the first half of the year implemented an on-line system that enables us to review investment performance by individual investment managers on a daily basis. In addition, EIM has pared its equity exposures to less than 30 percent, further reducing potential volatility.

Overall, financial measures established in the strategic plan are either on target or ahead of plan. In those instances where plan has not been met, EIM and the Board have examined the shortfall and understand the reasons for the missed targets.

Member Focus

EIM continues to focus on its Members with increased company visits, enhanced electronic communication, and ongoing assessment of emerging issues and coverage needs. We have made a concerted effort to meet with risk managers and senior executives to highlight the "mutual advantage" offered by EIM, and to reemphasize the long-term value associated with EIM's risk management products and services. By year's end, more than 20 Member Companies will have been visited.

EIM's updated Member Portal offers not only the ability to access current EIM information but also to retrieve individual company information relating to a complete history of EIM policies, claims payment history, and a summary of distributions received from 1986 to present.

Working in tandem with the Insurance Advisory Committee, EIM continues to examine issues relating to cyber-risk, environmental pollution coverage, and wildfire exposure. In addition, EIM continues to review policy forms to ensure that they are responsive to Member Company needs, as well as the submission process, where ongoing efforts are underway to streamline information exchange and make the renewal process as efficient as possible.

Business Process

While not immediately apparent to Members, EIM has taken a number of steps to make internal

operations more efficient and to reduce overhead. This includes updating code to EIM's proprietary EPIC system, bringing both greater stability and enhanced functionality to the system. These enhancements enable EIM to produce more frequent and meaningful reporting related to claims, accounting, and reinsurance, as well as providing the ability to integrate EIM's underwriting and claims data with investment data. By achieving a combined view of underwriting, claims, and investment information, EIM is better able to assess Company-wide risk and manage exposures within the Company's stated risk tolerance.

In addition to streamlined processing, EIM also has begun a long-term electronic data management initiative that will enable us to digitally create, store, retrieve, and distribute documents electronically, both internally and with Member Companies. When you consider the hundreds of thousands of documents that are created, retrieved, and distributed each year, the savings from this initiative, both in terms of hard-dollar cost and greater efficiency, will be substantial.

While these initiatives are underway, EIM also remains committed to refining the enterprise risk management (ERM) process. Most recently, EIM had its ERM procedures evaluated against a peer group of 300 companies. EIM ranked in the top 20 percent of its peer group, and we received valu-

able feedback on how the ERM process can be refined even further.

People

Communication, teamwork, and commitment continue to be the touchstones of EIM's "People" initiatives. As a small organization, it is imperative that everyone at EIM works together to achieve key goals and objectives. Along the way, we pride ourselves on "pitching in" across departments and across disciplines when and where the work must be done. Succession planning continues to be an important aspect of our strategic plan, and formal planning will be completed by year-end 2012.

Midway through the strategic plan, EIM is on track. The Company cannot "plan" loss events or occurrences; we simply know that they will occur. It is incumbent upon EIM, however, to articulate how it will meet Member Companies' expectations when these events do, in fact, occur. The three-year strategic plan is a critical part of this planning process, enabling us to identify, establish, and monitor those elements that give us the utmost ability to respond to Member Company needs.

Scott Goodell is president and chief executive officer of Energy Insurance Mutual, a member of the Company's Board of Directors, and vice chairman of the Strategic Planning Committee.



Jack Hadsall Receives Plaque at IAC Dinner

Jack Hadsall and Debbie Gaffney, who completed IAC terms earlier this year, were guests at an IAC dinner in June that preceded the committee's meeting the following day. In this photo, from left, are Jill Dominguez, who earlier had given Jack a box of cigars; Randy Martin, now IAC chairman; and Jack, who is holding the glass plaque that was presented to him. Debbie and Jack each received a written Resolution of Appreciation for their service to the IAC and to EIM. Debbie received her plaque at the Risk Managers Information Meeting in February.

(Ed Holland Sees Company in Best Position Ever continued from page 1)

said. “I applaud senior management for getting out and talking to our customers. Called Mutual Advantage meetings, there were three in 2011; eight through June of this year, with 13 more scheduled between now and the end of 2012.”

Ed also praised the Company’s newly elected vice chairman, who is Ben Fowke, the CEO of Xcel Energy, Minneapolis. “Ben is so engaged as a Board member and is leading the effort to get us more fully educated in all the nuances of insurance



Ed Holland

and risk management. Also, Ben’s broad view of the industry we serve underscores my desire to increase the number of EIM directors who are chief executive officers.” Presently, there are four lawyers, four CFOs, and three CEOs from Member Companies on the EIM Board.

Introduced to EIM by his former colleague at Southern Company, Kim Greene, who is now at TVA and no longer an EIM Board member, Ed says the Nominating Committee was then look-

ing for someone with a legal background. The Board was about to lose its only attorney because of retirement.

Ed is Southern Company’s second EIM chairman, the first having been more than 20 years ago. Tom Nunnally, a founding director of EIM, served as the Company’s second chairman, which was in 1988 and 1989.

The Company’s new chairman of the board has diverse experience from his work on five of the seven EIM Board committees. Ed was vice chairman of the Executive Committee two years before he became the committee’s chairman; was chairman of the Nominating Committee in 2011, having worked on it the previous two years. He also has been vice chairman of the Reinsurance and Strategic Planning committees and chairman of

the Claims Committee.

At Southern Company, which is headquartered in Atlanta, Ed is executive vice president, general counsel, and secretary. He is also Southern Company’s chief compliance officer and has been since his days at Gulf Power Company in Pensacola, FL. He joined Gulf Power, a Southern Company subsidiary, as general counsel in 1992. Previously, he had worked for a Pensacola law firm that did extensive work for Gulf Power.

In 1997, Ed was moved to Savannah as CEO of Savannah Electric and Power, which became part of Georgia Power in 2007. Georgia Power is Southern Company’s largest operating company, also based in Atlanta. Ed has been in his current position in Atlanta since May 2001.

When asked about the focus of his work at Southern Company, Ed answered, “I am the chief legal advisor for the parent company, primarily to the management team; and counsel to Southern Company’s board of directors.”

In this role, there is a focus on environmental law as electric utilities work to meet increasingly stringent regulations while continuing to provide safe, clean, reliable, and affordable energy to customers.

On a more personal note, Ed gave an update concerning his and wife Betsy’s two daughters: Laura, who had been practicing health-care law in Washington, D.C., for an Atlanta-based firm, is now a health-care advisor to Texas Senator John Cornyn and still lives in Washington; and Caroline, who is the youngest daughter, is now Caroline Weimar. For two years, Caroline worked at Oglethorpe University in Atlanta as director, career counseling. On the very day of the interview that led to this article, Caroline began a new job at Deloitte Consulting as a recruiter. Her husband Bill Weimar is a vice president at Argonne Capital Group, Atlanta.

Ed and Betsy, who were married in 1976, while Ed was still in law school at the University of Virginia, have recently sold their Atlanta home and moved into a condominium as they renovate the “dream house” they built in Pensacola in 1995 and sold 18 months later when they moved to Savannah. The people who bought the house from the Hollands put it on the market in 2009 and returning to it eventually was just too tempting. “That is where we will retire one of these days,” Ed said.

EIM – Working Harder to Make Your Job Easier!

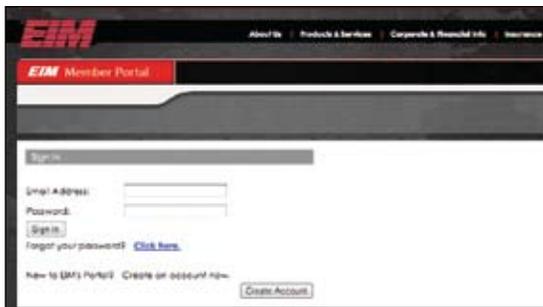
By Jill Dominguez

The staff at EIM, with assistance from the Insurance Advisory Committee, has been hard at work evaluating and restructuring many of the Company’s business processes and finding ways to make working with EIM more efficient from both the Member and broker perspective.

Recent improvements include the Member Portal and electronic delivery of the renewal letter, with an embedded link to the application and electronic delivery of not only the quotes and binder but of the policies. EIM has added recently a claims reporting checklist to its website as well. In addition, in 45 states, EIM has eliminated the need for policy countersignature. Finally, EIM is investigating possible options to provide coverage to the Members in Canada.

Member Portal

The Member Portal was rolled out at the Risk Managers Information Meeting in February. Since that time, Members who have used the portal have had access to copies of all their current and historical policies, loss history, Member account balances,



IAC contacts, and the EIM Strategic Plan. The portal is a one-stop tool to access all of your EIM-related information. To obtain a user name and password, please visit the EIM website at www.eimltd.com and click on “sign in” on the top right-hand corner.

Electronic Delivery of Documents

EIM has been sending renewal letters via email since March of this year. A link to the renewal application is embedded in the letter. The application can be downloaded, completed on line, and sent back electronically with all of the attachments to the submission. EIM also has begun delivering

the policies electronically thus eliminating the need for the paper copies that had been mailed in the past. The policies are mailed to the broker, with a copy of the delivery letter going to the Member simultaneously. EIM’s standard of service has always been to issue the policy within one week of receiving all the necessary underlying policies. The electronic delivery will make this process even more efficient.

Claims Reporting

An offshoot of the work the IAC did on the Member Portal was the creation of an electronic Claims Reporting Checklist. The checklist was posted to the EIM website in August. Initially, the checklist is being used as a tool to aid in gathering the information required for the submission of a claim. Over time, the process will continue to evolve and a determination will be made as to whether or not this tool would be one that should be available on the Member Portal. If you have any questions regarding the Claims Reporting Checklist, please contact our claims manager, Ann Joslin, ajoslin@eimltd.com.

Policy Countersignature

In June, EIM eliminated the need for policy countersignature in all but five of the states in which we operate. Policy countersignature is required in Canada, other foreign countries, and a few states. When policy countersignature is required, EIM usually utilizes the Power of Attorney mechanism. The states requiring policy countersignature are: Arkansas, Kansas, Louisiana, Maine, and Virginia.

In late August, EIM received its surplus lines approval in Michigan, thus eliminating the need for policy countersignature in that state. Overall, EIM has been looking at every opportunity to make access to its policy coverage and capital as streamlined as possible.

Canada

In response to Member Company inquires, EIM has investigated possible options available to provide coverage to Members in Canada. At present, Canadian Members must affirm that needed capac-



Jill Dominguez

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Five Members Name New Member Representatives

Five Member Companies—Alliant Energy Corporation, The Empire District Electric Company, Long Island Power Authority, Ohio Valley Electric Corporation, and Ontario Power Generation—have named new EIM Member Representatives.

Alliant Energy

John E. Kratchmer, vice president and treasurer, Alliant Energy, Madison, WI, is this Member's new EIM Member Representative.

A native of Iowa, John graduated in 1984 from the University of Iowa, Iowa City. He began his career at IES Industries, Cedar Rapids, which is a predecessor company to Alliant Energy. He worked for IES from 1985 to 1998 in various accounting positions.

From 1998 to 2006, John was first assistant controller, then controller and chief accounting officer, and then vice president, controller, and CAO at Alliant Energy, Madison. He was promoted to vice president, energy delivery in 2007 and served in that capacity until 2011 when he was elected to his present position.

A CPA since 1985, John is chairman of the board of directors of Goodwill Industries of South Central Wisconsin. He also is a member of the EEI finance committee, WICPA, AICPA, and Financial Executives International.



John Kratchmer

Empire

Laurie Delano, vice president-finance and chief financial officer, Empire, Joplin, MO, is this Member's recently named EIM Member Representative.

A 1977 graduate of Missouri Southern State University, Joplin, Laurie received her MBA degree in 1990 from Missouri State University, Springfield.

A CPA, Laurie began her career with TAMKO Asphalt Products, Joplin, as an accountant. She worked there from 1979 to 1983 and then again from 1993 to 1996 as a project manager. She first joined Empire in 1983 as director of auditing. She was in that position until 1991. For two years, from 1991 to 1993, Laurie was an accounting lecturer at Pittsburg State University, Pittsburg, KS. She then worked a third time for TAMKO and later for Lozier Corporation in Joplin.

In 2002, Laurie returned to Empire as director of financial services. She was in that position until 2005 when she was named controller and chief accounting officer, assistant secretary, and assistant treasurer. She has been in her present position since 2011.

Laurie is past president, Joplin Tri-State Chapter, Institute of Management Accountants; past president, Heartland Regional Council, IMA; and past director, national IMA. She also is a past board president of United Way of Southwest Missouri.



Laurie Delano

LIPA

Michael J. Taunton, vice president of finance and chief financial officer, LIPA, Uniondale, NY, is this Member Company's new EIM Member Representative.

A 1981 graduate of St. Francis College, Brooklyn Heights, NY, Michael received a master's degree in finance in 1985 from Adelphi University, Garden City, NY. He also completed the advanced management program at the Harvard Business School and the public utility executive program at the University of Michigan.

Prior to joining LIPA earlier this year, Michael was vice president and treasurer for Arrow Electronics, a \$20-billion global distributor of electronic components and enterprise computing solutions. In addition, he has over 30 years of business experience in the energy industry with KeySpan Corporation, now National Grid, where he last served as senior vice president, treasurer, and chief risk officer.



Michael Taunton

OVEC

Mark A. Peifer, chief operating officer, OVEC, Columbus, OH, is this Member’s new EIM Member Representative.

A native of Fort Monmouth, NJ, Mark graduated from the United States Naval Academy in 1975. He completed a professional program at the Harvard Business School in 1995.

Mark served in the U. S. Navy nuclear submarine force from 1975 to 1981. From 1981, he worked for the Institute of Nuclear Power Operations (INPO). He left as a vice president in 2003 and moved to Nuclear Management Company. He joined American Electric Power in 2005. AEP, also an EIM Member, is one of the owners of OVEC.

Mark is past director of Harbor Habitat for Humanity and the Ohio Association of Community Colleges Foundation.



Mark Peifer

OPG

John Lee, vice president, treasurer, OPG, Toronto, ON, Canada, is this Member Company’s new EIM Member Representative.

John graduated with an MBA degree from York University, Toronto, in 1987. He also has CMA and CFA designations from Certified Management Accountants and CFA Institute, respectively.

John joined OPG in 2001 and worked in the treasury division. In 2007, he became director, financing and foreign exchange. In 2008, he was named assistant treasurer. He was appointed to his present position as vice president, treasurer in 2011.

John has memberships in Professional Engineers Ontario and Association of Financial Professionals.



John Lee

*(EIM – Working Harder to Make Your Job Easier!
continued from page 5)*

ity is not available from Canadian markets before accessing alternative capacity. Without confirming such lack of capacity, Members are subject to premium tax, which can be substantial in some provinces.

In an effort to address both the regulatory filing and premium tax issues, EIM is investigating various alternatives to obtaining admitted status in Canada. While still in its preliminary stages, the key objective is to enable Members to expeditiously and efficiently obtain coverage through EIM. Board review and approval will be required, and potential impact on EIM’s capital requirements as well as regulatory implications will have to be considered.

As always, EIM is open to suggestions or comments about how our processes affect you. Please contact me, your underwriter, or IAC representative to discuss any questions or concerns you have about your Mutual.

Jill Dominguez is vice president-chief underwriting officer, Energy Insurance Mutual.



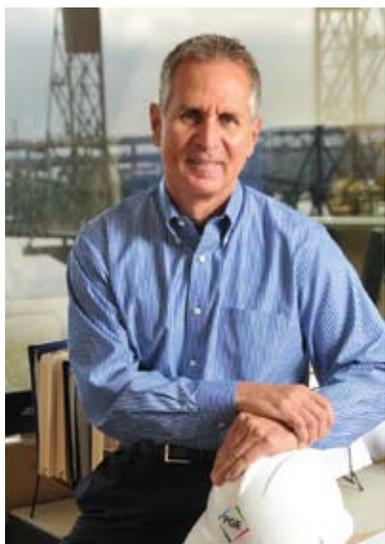
Jane Murphy

15 Years at EIM

Next month, on November 17, Jane Murphy will have been an employee of Energy Insurance Mutual for 15 years. Jane is claims assistant and office manager. She is also the Company’s meeting planner, which makes the annual Risk Managers Information Meeting one of her primary responsibilities.

Newest Members of the IAC

Sharing Insights of IAC, Profession, and Themselves



Jerry Rhoades



John Vinski

Jerry Rhoades of Portland General Electric, Portland, OR, and John Vinski of NV Energy, Las Vegas, NV, were elected to EIM's Insurance Advisory Committee in December 2011, effective June 2012.

Jerry's title is director of risk management and business services. He joined Portland General Electric in 1980 and has been in his present position since 1997. John is director of corporate insurance and enterprise risk management. He began his career in 1989 with Deloitte & Touche. In 1993, he joined a predecessor company of NV Energy. Jerry is a native of Downey, CA; John, Pittsburgh, PA.

Jerry and John have now observed one IAC meeting and attended two as IAC members.

They answered separately these questions and commented on these subjects:

How long have you been an EIM Risk Manager Representative and when was your first Risk Manager Information Meeting?

Jerry: Seven years. My first RMIM was 2005.

John: I've had two separate terms—2005-2007 and 2010 to present. My first RMIM also was 2005.

What attracted you to the IAC?

Jerry: The opportunity to work with such a knowledgeable group of colleagues on emerging issues facing EIM and its Membership.

John: I was attracted by the people on the IAC, the opportunity to learn, and the idea of being involved in addressing concerns of Member Companies.

What do you see as the IAC's primary role?

Jerry: The IAC serves as an information conduit between Member risk managers and EIM's management and Board.

John: The primary role is providing the Board with input and views from Member Company risk managers.

What are your initial impressions of the IAC, its members, and its work?

Jerry: The IAC is well informed and deeply engaged with the issues we face as risk managers. There is commitment and enthusiasm for the work being done, and it's good to see first-hand how EIM management considers and values the input from the IAC.

John: This is a professional group that takes its responsibility seriously. I am most impressed with the variety of topics being addressed—and the depth and breadth of experience at the IAC table.

What is the most critical issue facing EIM?

Jerry: Maintaining a strong capital and surplus base so that the Company has the resources to respond to losses as they occur; also, very important is maintaining a balanced approach to underwriting risk which benefits the entire Membership.

John: Anticipating and responding to the emerging needs of its Members while maintaining the core mutual insurance company values of stability, transparency, and cost effectiveness.

Comment on the evolving nature of risk management, past and future:

Jerry: We have moved from a silo-based approach to a more integrated enterprise-wide approach to managing risk. Within my own company, the focus on ERM has increased our risk dialogue across organizational boundaries.

John: Historically, different aspects of risk were segregated throughout the organization. As risk management has evolved, it has centralized, creating synergies and the ability to leverage different

skill sets, thinking, and tools across various risk management disciplines.

In what ways may the utility industry differ at the end of this decade?

Jerry: *Whether via the internet, smart phones, or smart grids, we'll have a more intense level of customer interaction through technology than we've had in the past. These changes in technology will undoubtedly bring new risks that we must address. Also, the impacts of climate, environmental, and regulatory policies will prompt significant change by the end of the decade.*

John: *We'll see additional contraction through M&A activity, expansion of smart meter/grid technology, and increased transmission/grid infrastructure investment for both reliability and expansion purposes.*

What one thing about the annual Risk Managers Information Meeting do you value most?

Jerry: *Without question, the interactions with my underwriters and my fellow risk managers.*

John: *Definitely, the people!*

On a personal note, describe your ideal workday:

Jerry: *An accident-free day is always an ideal workday in risk management. Now, if we are talking about the ideal job, I'd replace Guy Fieri as the host of "Diners, Drive-Ins, and Dives."*

John: *It is always one of the many occasions when I see one of my team members recognized by others in the organization for a great success or contribution.*

What would a two-week, all-expenses-paid vacation look like?

Jerry: *A tropical beach with clear blue water and plenty of sunshine.*

John: *It would look like a lot of different things depending on the time of year and interests at that particular point in life—but it would be somewhere with no cell phones and no internet service.*

In closing, share something about yourself that is not in your biography:

Jerry: *I love salsa dancing!*

John: *I grew up in a fairly large family—five siblings—in a relatively small house by today's standards. As a result, I tend to eat faster and enjoy alone time more than most people!*

Scott Leiman Completes Industry's Energy School

Scott Leiman, EIM underwriter-property, was one of 23 attendees at this past May's biennial Energy School, which is sponsored by OIL Group of Companies (OIL), Nuclear Electric Insurance Limited (NEIL), and EIM.

"I thought the Energy School was excellent. It gave me a better understanding of the various ways insurers, risk managers, and intermediaries view risk, and the many alternatives available to effectively manage risk. Equally important to me was the opportunity to "roll up my sleeves" and work with a diverse group of energy industry colleagues to explore, debate, and design risk management solutions for real life scenarios," said Scott.



EIM's Scott Goodell, Tommy Bolton, and Jill Dominguez made a presentation at the Energy School, highlighting the "Mutual Difference" that EIM brings to portfolios of energy insurers. Executives from NEIL and OIL also did presentations.

The school is a week-long session held at St. Joseph's University Haub School of Business in Philadelphia, PA, and is designed to train risk management staff, brokers, and claims professionals about insurance and issues specifically relating to the energy industry.

The next Energy School will be held in April or May of 2014.

Balance Sheets

(unaudited and expressed in thousands of U.S. dollars)

	6/30/12	12/31/11
Assets		
Investments	\$ 1,170,508	\$ 1,138,378
Cash and cash equivalents	66,263	60,350
Reinsurance paid in advance	41,140	42,772
Insurance balances receivable	14,613	4,064
Reinsurance recoverable on unpaid losses and IBNR	381,850	375,158
Other assets	28,192	21,097
Total assets	<u>\$ 1,702,566</u>	<u>\$ 1,641,819</u>
Liabilities and Policyholders' surplus		
Liabilities:		
Reserves for losses and loss adjustment expenses	\$ 715,717	\$ 680,650
Unearned premiums	93,981	106,285
Reinsurance balances payable	38,157	26,330
Deferred income tax	5,653	5,664
Accrued expenses	39,219	30,957
Income taxes payable	-	9,300
Total liabilities	<u>892,727</u>	<u>859,186</u>
Policyholders' surplus:		
Members' account balance	690,841	679,952
Accumulated other comprehensive income	118,998	102,681
Total Policyholders' surplus	<u>809,839</u>	<u>782,633</u>
Total liabilities and Policyholders' surplus	<u>\$ 1,702,566</u>	<u>\$ 1,641,819</u>

Statements of Income and Comprehensive Income

(unaudited and expressed in thousands of U.S. dollars)

	6/30/12	6/30/11
Underwriting income		
Net premiums earned	\$ 52,390	\$ 45,713
Ceding commission	1,466	1,286
Total underwriting income	<u>53,856</u>	<u>46,999</u>
Underwriting expenses		
Net losses and loss adjustment expenses	60,740	37,415
Policy acquisition costs	1,054	958
Administrative expenses	6,001	5,712
Total underwriting expenses	<u>67,795</u>	<u>44,085</u>
(Loss) income from underwriting	(13,939)	2,914
Investment income	<u>27,804</u>	<u>25,209</u>
Income before Policyholders' distribution	13,865	28,123
Policyholders' distributions	-	-
Income before income taxes	13,865	28,123
Federal income tax expense	<u>2,976</u>	<u>9,318</u>
Net income	10,889	18,805
Other comprehensive income		
Change in unrealized gain on securities, net	16,317	13,152
Comprehensive income	<u>\$ 27,206</u>	<u>\$ 31,957</u>

Our Newest Director

Dominion's Carter Reid: Lawyer, Executive, Wife, Mother

Carter Reid talks freely about her love of the law and of her family, especially the traditions that began in her childhood and continue through a young daughter and son.

An executive at Dominion Resources, Inc., Richmond, VA, Carter was elected to her first three-year term on the EIM Board of Directors at the Company's Annual General Meeting this past May. Formally, she is Carter M. Reid, and her title at Dominion is vice president, general counsel, chief compliance officer, and corporate secretary.

The founding chairman of EIM worked for Virginia Power, then Dominion Resources' primary operating company. She, too, was a top female executive—Irene M. Moszer. Irene started the industry-wide conversation in 1985 that led to the Company's formation in June 1986.

Born Ann Carter Marshall in Suffolk, VA, Carter was named for one of her father's best friends who died before her birth. Carter was the third of four children born during a nine-year period to Robert and Polly Marshall. Robert worked for the C&P Telephone Co., then for Bell Atlantic, which later became Verizon. Polly was busy at home with the four youngsters—Carter, her older brother and sister, and a younger brother. The Marshalls moved every three or four years as Robert received new assignments at the telephone company. Their longest stay was in Vienna, VA.

Carter graduated in 1986 from James Madison High School in Vienna, and then enrolled at James Madison University in Harrisonburg, VA. She received a bachelor's in history and political science in 1990, planning all the while to go to law school.

"I knew in high school that I was going to law school," Carter said. And go she did—to the University of Richmond T. C. Williams School of Law. "I have been a resident of Richmond ever since," Carter said. She received her law degree in 1993.

Carter joined the prestigious Richmond-based firm McGuireWoods. There she met Joseph K. (Joe) Reid, III. He is a litigator, and the two young associates joined the firm at the very same time. Today, Joe is partner. There are 900 lawyers at McGuireWoods in 19 offices throughout the world.

Carter and Joe were married in October 1995 in Richmond.

Carter left McGuireWoods in 1995 and joined Hunton & Williams. She was there about a year before going to Dominion in January 1996 as assistant general counsel. She was named managing counsel in 2000. While in the legal department, Carter focused on mergers and acquisitions, finance, securities law, and general corporate law. She was named director of executive compensation in July 2003 and vice president, governance, and corporate secretary in October 2007. She has been in her current post since January 2011.

Today, there are approximately 100 employees in Carter's group, 45 of them lawyers. Carter's title speaks of her various corporate responsibilities except for a couple, shareholder services, which has to do largely with direct purchasing of Dominion stock, and an ethics compliance hotline for employees.

As she talks of her job, Carter clearly shows enthusiasm. "There is always something new that needs addressing—new opportunities for professional growth as well as company growth and expansion," she said.

Carter is also busy at home and in the community.

She and Joe are the parents of 14-year-old Katherine and 13-year-old Will. Katherine is a freshman and Will a seventh grader at Collegiate School, a nearly century-old preparatory school in Richmond.

Carter says Katherine is an academic (already knows that she wants to be a doctor) and into community service. Katherine also loves a girls' camp in Bath County named Mont Shenandoah, one of Virginia's oldest overnight camps. Katherine and four cousins go there. In recent years, she has been



Carter Reid

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(Dominion's Carter Reid: Lawyer, Executive, Wife, Mother continued from page 11)

attending for six weeks each summer. This past year was her sixth year at Mont Shenandoah.

Summer camps were also an important part of Carter's and her brothers' and sister's growing-up years. The Marshall sisters and mother all attended Camp Mont Shenandoah as well, with the brothers at another camp not too far from Mont Shenandoah.

This fall, Katherine will tutor K-3 children in art at a program sponsored by the Visual Arts Center of Richmond. Carter began a two-year term in July as chairman of the board of the Arts Center. Katherine also does fundraising for St. Jude's Hospital in Memphis, TN. And Carter is a past board member of the Richmond Society for the Prevention of Cruelty to Animals.

Carter says she is "excited" about joining the EIM Board. She describes the Board as being "very engaged," and she admires the obvious transparency of management and how it communicates with the Board.

Carter describes son Will as being into video games, reading, and soccer—and an aspiring "foodie." Will and his dad share a passion for food and both love to cook and enjoy taking food adventure trips together during the summer months. Carter reaps the benefits of their shared passion at home, with excellent meals and occa-

sional cooking contests.

The Reid family, whose primary residence is in the city of Richmond, is restoring an 1870s farmhouse in Mathews County, about an hour and a half from Richmond. The house, which had limited plumbing and electrical wiring when they started the work a couple of years ago, is listed on the national register of historic places. This, too, is somewhat a family tradition. While the Marshall family moved often, the one constant was time spent in the small town of Urbanna, a tidewater town on the Rappahannock River near Mathews County.

Carter's introduction to EIM came from Director Marian Durkin. The two executives knew each other from their memberships on the EEI General Counsel Committee.

Carter, who will be attending her second EIM Board meeting in November, says she is "excited" about joining the EIM Board. She describes the Board as being "very engaged," and she admires the obvious transparency of management and how it communicates with the Board.

"While I look forward to contributing based on my experiences with board governance, legal and industry issues, I expect to have significant takeaways from this experience as well. I am particularly impressed with the experience and talent on both the Board and management teams at EIM."



EIM's *Members Report* is published 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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