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EIM Energy Insurance Mutual

Members Report

Company Offers Broader EDO Policy as It Encourages More Member Company Participation

By Gary Gresham

EIM was pleased to release recently an amendatory endorsement that attaches to the excess Directors and Officers (D&O) liability policy. The endorsement offers enhancements that provide a broader excess policy that more closely follows our Members' primary D&O policy language.

The endorsement deletes the definition of Insured, Insured Companies, and Claim in order to follow the primary policy language. Additionally, the Cancellation, Discovery Period, and Notice of Claim provisions have been deleted. The modified wording improves terms and conditions.

"We appreciate those Members and their brokers for giving EIM the opportunity to write their D&O business. Building on this success, we will endeavor to reach more of the Membership over the course of the next few years."

Similar revisions have been made with an amendatory endorsement attaching to our excess Fiduciary Liability policy.

The amendatory endorsements are being made available as we renew policies in 2013.

Also, in recent months, the Company has been promoting our excess D&O policy to Members who do not currently purchase a D&O policy from EIM or who purchase less

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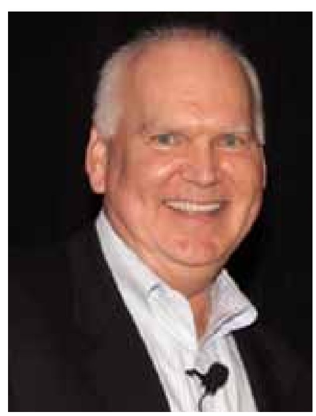
Updated Strategic Plan Builds on Success of Expiring Plan

By Scott Goodell

The updated 2014-2016 EIM strategic plan, currently being finalized for presentation to the Board at its November meeting, will build on the expiring plan, one that has performed well over the last three years.

In 2011, EIM updated its three-year strategic plan to assess not only the Company's vision and mission but also its core values and risk tolerance. Using these foundational elements, EIM identified four critical performance areas, which are Member Focus, Financial, Business Process, and People, where key goals and objectives for the ensuing three years were established. Goals and objectives included action plans and performance metrics designed to assess progress over the three-year time frame.



Scott Goodell

The chart on page two outlines EIM's progress on key performance metrics for the 2011-2013 strategic plan. As with any forward-looking plan, few if any of the performance metrics were met precisely. Some, like surplus growth, expense ratio, and investment performance exceeded expectations. Others, like membership count, fell below target. While others, like net loss ratio bettered projections in some years and fell short in others. The more important

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(Updated Strategic Plan Builds on Success of Expiring Plan continued from page 1)

aspect of the strategic plan was to set expectations and then assess actual performance against these expectations as the plan unfolded.

Three-Year Strategic Plan

	2009	2010	2011 Plan	2011 Actual	2012 Plan	2012 Actual	2013 Plan	2013 Projected
Membership	168	164	168	161	170	159	172	165
Surplus ($ millions)	652	727	751	783	818	823	866	867
Loss Ratio	-26%	54%	90%	50%	89%	140%	90%	57%
Expense Ratio	10%	14%	11%	9%	10%	9%	9%	9%
Combined Ratio	-16%	68%	101%	59%	99%	149%	99%	66%
Net Premium ($ millions)	95	92	94	96	106	111	115	120
Investment Yield (%)	20	8	3.9%	4.3%	3.6%	9.2%	4.80%	3.3%

For the updated strategic plan, we expect EIM's mission and vision to remain constant, as will our core values and risk appetite. Likewise, the Company's four areas of concentration—Member Focus, Financial, Business Process, and People—will remain unchanged. What will change, however, are the goals and objectives that underpin the updated strategic plan.

The utility and energy business continues to be dynamic, requiring an ongoing assessment of emerging issues and industry trends. While EIM expects some industry issues, such as aging infrastructure and merger and acquisition activity, to continue into the 2014-2016 period, other considerations such as TRIPRA extension, renewable energy insurance needs, and cyber risk will receive heightened consideration in the updated strategic plan.

EIM's "Member Focus" commitments will continue to revolve around providing meaningful risk management solutions to Member Companies, maintaining an ongoing dialogue with risk managers regarding the underwriting and claims administration process, and ensuring EIM's financial stability. An essential part of EIM's Member Focus will be EIS, which will be integrated into the updated strategic plan.

Similarly, EIM's "Business Process" goals and accompanying action plans will reflect the Company's ongoing commitment to embrace new technologies, to more efficiently communicate and exchange information with Member Companies, and to continuously examine ways to operate EIM as cost-effectively as possible.

Financial goals, in all likelihood, will remain stable with a targeted net loss ratio of 90 percent, an expense ratio of 10 percent, and projected annual investment returns somewhere in the area of three to four percent. Written premium will be a function of loss exposure in any given underwriting year, and in particular, will be driven by individual Member Company loss experience.

There are only two certainties about EIM's updated planning process. First, we will miss—either because we have outperformed and underperformed—the precise targets that are established for the next three years as they relate to metrics such as surplus growth, net loss ratio, and investment return. In any given year, we can expect actual performance to diverge from projections. If EIM had perfect foresight, we would be operating (successfully) in Las Vegas, not Tampa.

The second certainty is that we will use the 2014-2016 strategic plan to routinely assess where EIM is over the course of the next three years and to determine if we are on track to meet the key imperatives of the organization. The updated strategic plan will provide the road map to continued Membership confidence, financial stability, and operational efficiency. These elements will be the subject of ongoing discussion with the EIM Board, the Insurance Advisory Committee, and Member Companies.

In short, the updated strategic plan will provide the point of reference against which we can monitor, evaluate, and, when necessary, adjust EIM's focus to ensure that critical goals and objectives continue to be met.

(Company Offers Broader EDO Policy as It Encourages More Member Company Participation continued from page 1)

than our available $50-million capacity. One hundred and sixty-three members purchase excess General Liability from EIM; yet, only 82 purchase excess D&O.

Since January, we have been actively seeking opportunities within the D&O space by contacting Members who buy excess GL and/or their broker representatives to remind them that EIM offers $50 million of excess D&O capacity, attaching above their $35-million primary policy. We have found some Members do not purchase D&O coverage or purchase below our attachment point.

However, we've also had support from Members looking for additional limits and/or to place EIM somewhere in their coverage tower. We appreciate those Members and their brokers for giving EIM the opportunity to write their D&O business. Building on this success, we will endeavor to reach more of the Membership over the course of the next few years.

EIM provides up to $50 million in excess D&O capacity, which is a significant block of capacity in the insurance marketplace. Here is a brief summary of the D&O coverage:

Limits Available

- Minimum limit $10 million per wrongful act and in the annual aggregate with limits up to $50 million in $5-million increments.

Policy Features

- EIM's excess D&O liability policy is a following form policy, which in a majority of cases follows the AEGIS form. EIM can follow other commercial market policy forms as well.

The EIM policy includes

- Nuclear Coverage
- No Pollution Exclusion

Sample policies and applications can be found on the EIM website: **www.eimltd.com**.

Gary Gresham Earns ACI Designation

Gary Gresham, an EIM underwriting manager who also works with Energy Insurance Services, has earned an ACI designation, which stands for Associate in Captive Insurance.

Gary received his designation certificate August 12 during the Vermont Captive Insurance Association conference in Burlington. He passed his final test May 28, 2013, having taken his first in June 2011. It is a seven-course (five core courses and two electives) program and is administered through the International Center for Captive Insurance Education (ICCIE).

Founded in 2004, ICCIE is the only comprehensive captive insurance education program in North America. The courses offered through ICCIE are relevant to any domicile around the world.

"It is a good program, and I have learned a lot about the captive industry. I also enjoyed having a few on-line classes with John Hernick at Xcel Energy, Inc., and Rob Ramos at USA Risk. They earned their ACI designations in the fall of 2012," Gary said.

Gary Gresham

"The classes also allowed me the opportunity to learn from some of the captive pioneers. These are the lawyers, actuaries, and specialty consultants who worked with the individual states, IRS, and Department of Labor to build the captive industry as it is today," Gary said. One such person is Karin Landry with the Spring Consulting Group, who is a specialist in employee benefits, among other things, and does work for EIS.

Robert Schmid, EIM vice president-subsidiary operations and COO of EIS, said, "This recent achievement is tangible evidence of Gary's continued commitment to the Company's succession planning efforts. Over the past three years, Gary has developed a growing understanding of EIS operations specifically and captives generally. We add our congratulations."

EIM Looks for the "Clearer Windshield"

By Tommy Bolton and Christine Freiherr

In the business world, the rearview mirror is always clearer than the windshield.

– Warren Buffett

Learning from the past and looking to "clear up" that windshield Warren Buffett so astutely describes above, EIM revised its strategic asset allocation and objectives in late 2012. With an investment portfolio of $1.3 billion, EIM often faces as much risk on its investment activities as it sees in its underwriting portfolio.

In fact, as EIM has examined combined loss scenarios involving both underwriting and investment losses, many loss iterations show the Company's investment portfolio contributing almost 50 percent of potential loss, particularly at the extreme ends of the risk distribution involving events expected to occur only once every 200 years. In recognition of this fact, EIM carefully examines its investment strategy and the allocation of its investment portfolio.

"EIM's updated strategic investment allocation reflects the attributes of financial soundness, security, and stability which represent the foundation of the Company's mission statement."

EIM's investment allocation finds its roots in the Company's overall mission statement: "To provide Members with a financially sound organization offering a secure, stable source of superior long-term insurance and risk financing products and services." EIM's updated strategic investment allocation reflects the attributes of financial soundness, security, and stability which represent the foundation of the Company's mission statement.

Enterprise risk management permeates EIM's day-to-day operations and nowhere is it more pronounced than in the Company's investment allocation. Each year, EIM reviews its strategic asset allocation in conjunction with the "other side" of the balance sheet—its liabilities. Regular assessment and tailoring of EIM's investment portfolio allocation enables the Company to remain dynamic and opportunistic, while mitigating the risk inherent in the portfolio. The process allows EIM to not only minimize downside risk but also identify and capitalize on risk opportunities.

Volatility continues to characterize financial markets as investors grapple with the specter of rising interest rates and uncertainty in the economy, both domestically and internationally. Augmenting this volatility is EIM's underwriting portfolio where, as an example, the Company is coming off of a year that delivered two large liability losses contributing to a net loss ratio of 140 percent. The landscape is unsettled at best, lending itself to a concerted effort to better understand the dynamics of EIM's combined investment and underwriting exposure.

To quantify the effects that underwriting and investments have on the Company's financial position, let's examine the impact both have on the 2012 year-end surplus balance of $823 million. Invested assets were in excess of $1.3 billion as of December 31, 2012. Given the size of the investment balance in relation to surplus and net premium written ($111 million in 2012), it does not take much of a change in the investment market, or a negative turn in the frequency and/or severity of underwriting losses to have a significant impact on EIM's financial position.

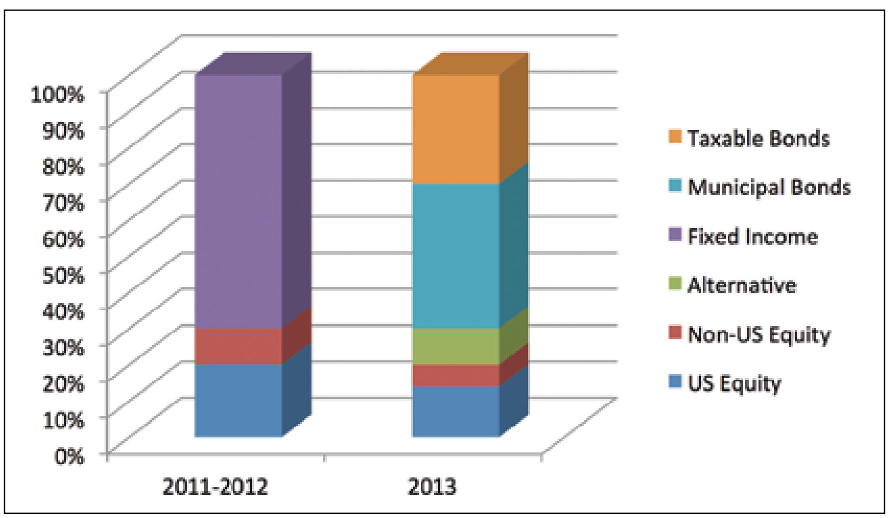
For example, a three percent decline in invested assets would have an impact, net of tax, of $26 million or three percent of surplus. Similarly, one general liability loss could have a net impact of as much as $49 million or six percent of surplus, net of tax. Combined, these two loss events would result in a nine percent decrease in surplus or $75 million.

In today's environment, and given the events of 2008 (where EIM saw a 30-percent drop in surplus), it's important to first review the mission of EIM and examine the impact on surplus from both sides of the balance sheet. Given the impact described above, it is even more vital that the investment objectives focus on the mission statement concepts of "long-term," "financially sound," and "secure." With these concepts in mind, the following investment objectives were adopted as part of the strategic investment plan:

- Provide an adequate asset base with sufficient liquidity to pay potential claims;
- Match the duration of the portfolio to that of the liabilities to mitigate liquidity and interest rate risk;
- Maintain a lower cost of risk to Members; and
- Mitigate the effect of a 1/200 company-wide event on policyholders' surplus.

Using these objectives, modeling was performed assuming a year on year underwriting net loss ratio in excess of 100 percent, a gradual rise in interest rates, and a "shock" scenario where interest rates rise sharply. One of EIM's strengths lies in the ample liquidity of the investment portfolio which minimizes the need for forced bond sales. This fact was taken into consideration as part of the modeling exercise, along with EIM's overall corporate risk tolerance (no more than a 10-percent chance of a 20-percent loss of surplus) to create a specific risk budget for investments.

Based on the detailed analysis and stress testing, EIM's strategic allocation was revised in late 2012. The following compares the new plan and the old plan:



The new allocation is now made up of 70-percent fixed income, 20-percent equities, and 10-percent alternatives compared to 70-percent fixed income and 30-percent equities under the previous plan. The new allocation further specifies a split between municipal and taxable bonds.

The alternatives can be used in either the fixed income or equity space. Emerging markets, high yield bonds, and hedge funds all fall within the alternative bucket. Hedge funds in general perform well in volatile markets and when prudently accessed can add stability to the overall portfolio. EIM is currently reviewing hedge fund managers in the fixed income space to mitigate volatility due to rising interest rates.

Currently, EIM is a "passive" investor in the equities sector, meaning equity investments track established benchmarks. The S&P 900 index is used for US equities and the MSCI EAFE index is used for the non-US equities. Going forward, EIM will consider the use of active managers to meet or exceed industry benchmarks in certain areas such as the non-US equity sector and small- and mid-cap space in the US. Active management will allow EIM to be more nimble in the current market and further diversify the equity portfolio.

In addition to the allocation changes, wider drift ranges were created to provide more flexibility and to take advantage of rising and falling markets where appropriate. The taxable bonds benchmark is now broken into five sectors as compared to just using the Barclays Aggregate Index, and the municipal tax-exempt bonds now have a larger allocation to help manage taxes, where EIM pays 35 percent. Cash flows into and out of the investment portfolio are used to rebalance back to asset class targets whenever possible. More recently this has been achieved in connection with payment of losses and loss adjustment expenses.

In summary, EIM has taken a proactive approach to risk mitigation while trying to further diversify the investment portfolio and create more opportunities to capitalize on the upside of risk. These actions have, to a certain extent, enabled EIM to dampen overall volatility and provide a financially sound, secure, and stable environment meeting the needs of Member Companies.

A Personal Reflection

"Present at the Evolution"

By Jill Dominguez

When asked to reflect on 20 years with EIM, my first reaction was, "I can barely remember things from last week, much less 20 years ago." In truth, very little has changed at EIM; yet, everything has evolved.

In 1993, EIM ended the year with 132 Members. In the early days, "Membership Count" was a huge measure of success as "critical mass" was essential to our long-term success. Since that time, we have had as many as 178 Members. The Membership has stabilized to a point where the number is not as important as how risks they present are managed.

Back in the 90s, we had Members with names like Washington Water Power, Minnesota Power and Light, and Iowa Illinois Gas & Electric. Those have given way to names like Allete, Avista, and MidAmerican. The 90s was a scary time. The uncertainty of deregulation weighed heavily on the energy industry.

In 1993, EIM received its first rating from A.M. Best, which was an "A" Excellent. Today, even with the run on D&O claims in 2002 and 2003 and the financial crisis of 2008, EIM maintains Best's "A" Excellent rating.

At the 1993 Risk Managers Information Meeting, we launched our first "Customer Satisfaction Survey." The responses to that survey and the annual surveys that followed became a key driver for many EIM initiatives. The Insurance Advisory Committee has since taken on the responsibility of surveying Members (now electronically), and those responses still form the basis of much of EIM's strategic planning.

One hallmark of EIM has always been customer service. Over the years, we have streamlined processes, enhanced our ability to capture information, and made the "transactional" side of doing business with EIM more user-friendly. We went from cranking out policies on typewriters (we still have one) and word processors to delivery of quotes and policies with the click of a mouse.

We introduced a Member portal in 2012 that allows for quick access to a Member's current and historical policies, claims, and other information. We have completed a "less paper" initiative whereby there is significant reduction in paper handling on the claims side. Underwriting is poised to go mostly "paperless" in the next few months.

Some things about EIM will not change, and these are the things that set us apart from all markets. Perhaps I am biased after 20 years, but here they are:

1. Customer Service and Flexibility—We listen, we problem solve, we work with you, and we actually have a live person who answers the phone!

2. Quality and Longevity of Staff—Oftentimes a lot of the frustration in dealing with other markets comes from dealing with people who are new to the job. At EIM, the underwriting personnel have an average of 13 years with the Company.

3. Member Focus—Oddly, this was the unspoken theme of the 1993 Risk Managers Information Meeting I mentioned earlier. In 20 years, we have never created a product just to sell you. Member input and the advice we receive from the IAC and the Board direct our efforts and ensure we remain relevant to the Membership.

4. Financial Stability—Even in the most recent challenging year of 2008, EIM had the financial wherewithal to maintain the level of capacity, pay claims, and maintain its A.M. Best rating. In addition, in March of this year, EIM declared a distribution of Policyholder's surplus in the amount of $18 million. To date, the Company has returned $197.5 million in the form distributions to Members.

That's a fast forward through 20 years. EIM has been an enormous success because of the dedication of its staff, Board, IAC, Members, and the brokerage community. I feel honored to have been a part of a unique organization for so long and to have worked with so many talented people.

A 20-Year Anniversary

Jill Dominguez, vice president and chief underwriting officer, joined the EIM staff on September 13, 1993, as a service representative. With a bachelor's degree in finance from Florida State University, Tallahassee, Jill began her career in June 1989 with Fireman's Fund Insurance Company, Tampa. She was promoted to EIM senior underwriter/account manager, effective November 1, 1996. In September 1998, she became underwriting manager and has been a vice president of the Company since January 1, 2001. Jill was named chief underwriting officer at the January 2013 Board meeting. Jill's professional designations include ARM and AU.

EIM Introduces Five New Members

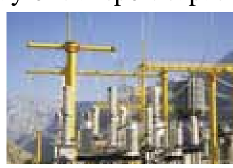
The Company has five new Members—Enable Midstream Partners, LP, Oklahoma City; EquiPower Resources Corp., Hartford, CT; NRG Yield, Inc., Princeton, NJ; Ohio Gas Company, Bryan, OH; and Summit Utilities, Littleton, CO. The total number of EIM Members as of September 1 was 163.

Membership retention for 2013 so far is 100 percent. Copano merged into Kinder Morgan on May 1. One EIM Member has changed its name: Midwest Independent Transmission System Operator is now Midcontinent Independent System Operator.

At the August Board meeting, Jill Dominguez, vice president and chief underwriting officer, reported that EIM writes 93 percent of EEI members; 65 percent of AGA members; 96 percent of the Fortune 500 "Utilities;" 100 percent of the Fortune 500 "Energy" Companies; and 89 percent of the Fortune 500 "Pipeline" Companies.

Enable

Enable has combined assets of nearly $11 billion in nine states. It owns and operates 8,400 miles of interstate pipelines with nearly 9 billion cubic feet per day of transport capacity and nearly 2,300 miles of intrastate pipelines.



Enable also has more than 11,000 miles of gathering lines, which in 2012 moved nearly 4 billion cubic feet of natural gas per day. Additionally, it has more than 90 billion cubic feet of natural gas storage capacity and 11 major processing plants with nearly 2 billion cubic feet per day of inlet capacity.

Enable was formed when CenterPoint Energy, Inc., OGE Energy Corp. and ArcLight Capital Partners, LLC, entered into an agreement to form a master limited partnership which includes CenterPoint Energy's interstate pipelines and field services businesses and the midstream business of Enogex, LLC, owned jointly by subsidiaries of OGE and ArcLight.

EquiPower

EquiPower Resources owns and operates a portfolio of five high-quality power plants in Connecticut, Massachusetts, and Pennsylvania. The five plants have a total of 2,393 megawatts of generating capacity. EquiPower is owned by Energy Capital Partners (ECP).


EquiPower Resources also manages the Empire Generating Project, a 645-MW combined cycle natural gas fired power plant located near Albany, NY; Odessa-Ector Power Partners LP, a 1,000-MW combined cycle natural gas fired power plant located in Odessa, TX; Red Oak Power Holdings, an 805-MW combined cycle natural gas fired power plant located in Sayreville, NJ; and Broad River Energy LLC, an 881-MW simple cycle natural gas fired power plant located in Gaffney, SC. All of these plants are owned by ECP.

NRG Yield

NRG Yield owns a diversified portfolio of contracted renewable and conventional generation and thermal infrastructure assets in the United States.


The company's contracted generation portfolio includes three natural gas or multi-fuel facilities, eight utility-scale solar and wind generation facilities, and two portfolios of distributed solar facilities that collectively represent 1,324 MW of generation capacity.

NRG Yield also owns thermal infrastructure assets with an aggregate steam and chilled water capacity of 1,098 megawatts thermal (MWt) and electric generation capacity of 123 MW. These thermal

(Continued on page 11)

Eight Members Name New EIM Reps

Eight EIM Members—American Electric Power, Black Hills Corporation, Chesapeake Energy Corporation, Dairyland Power Cooperative, Duke Energy Corporation, Pinnacle West Capital Corporation, Puget Sound Energy, and WPX Energy—have new EIM representatives.

AEP


Stephan Haynes

Stephan T. Haynes, vice president-strategic initiatives and chief risk officer, AEP, Columbus, OH, is AEP's new EIM Member Representative.

Stephan earned a master's degree in business administration from The Ohio State University (OSU), where he was named a Weidler Scholar for placing in the top five percent of the class. He also is a summa cum laude graduate of Harding University, from which he received a bachelor's degree in business systems analysis. Stephan completed the Executive Development Program at the University of Virginia's Darden School of Business and the AEP Management Development Program at OSU.

Stephan joined AEP in 1984 as a programmer in the information systems department. He has held various positions in finance, investor relations, and information systems. He has been a vice president since 2004 and was elected to his current position in 2008.

Black Hills


Richard Sayette

Richard Sayette, operations risk manager, Black Hills, Rapid City, SD, is this Member's new EIM Risk Manager Representative.

A native of Morristown, NJ, Richard received in 1989 a bachelor's degree in economics from Rutgers University, New Brunswick, NJ, and in 1993 a master's in business administration, with an international focus, from the University of South Carolina, Columbia. He also earned in 2007 the ARM designation.

Richard joined Black Hills in 2010. Before that, he was a risk management consultant from 2001 to 2010, working in the defense contractor industry in Florida's Space Coast in Melbourne and Miami. From 1996 to 2000, he was a client advisor, international department, with Marsh, Inc., in Miami.

From 1994 to 1995, Richard served in the U.S. Peace Corps in the Russian Far East.

Chesapeake


Greg Steele

Gregory R. Steele, risk management specialist, Chesapeake Energy, Oklahoma City, OK, is Chesapeake's new EIM Risk Manager Representative.

A native of California, Greg received in 2007 a bachelor's degree in business administration from the University of Oklahoma. He is working on a master's degree in energy legal studies at Oklahoma City University.

Greg, who has worked at Chesapeake since March 2007, when he was an intern, has been in his present position since July 2012. He began full-time employment as a risk management analyst and was then promoted to senior risk management analyst.

Greg is president of the Central Oklahoma Chapter of RIMS.

Dairyland


Phil Moilien

Phil Moilien, vice president and chief financial officer, Dairyland Power, La Crosse, WI, is this Member's new EIM Member Representative.

Phil is a graduate of Viterbo University, La Crosse, with a bachelor's degree in accounting.

In his present position since May 2011, Phil has been an employee of Dairyland Power and GEN~SYS Energy since December 1999. He joined the organization as controller and risk manager of GEN~SYS Energy, which provided wholesale power marketing and risk management for Dairyland. In January 2011, the GEN~SYS organization integrated into Dairyland and Phil was named director of market risk and settlements and acting CFO of GEN~SYS Energy. Prior to joining Dairyland, Phil worked at Cargill, Inc., Minneapolis, for over 10 years in the corporate tax and accounting areas.

Duke Energy

Swati Daji, vice president, global risk management and insurance, and chief risk officer, Duke Energy, Charlotte, NC, is this Member's new EIM Member Representative.

Swati holds a bachelor's degree in accounting from the University of Bombay and a master's in finance from Clemson University.

In her current position since October 2009, Swati previously served as vice president of deal structuring and contract management for Duke Energy's U.S. Franchised Electric and Gas organization. She joined the company in 1991 as a financial analyst for Duke Power. From 1998 to 2004, she held a variety of management positions with Duke Energy North America. Between 2004 and 2006, she served as a general manager in both the treasury and corporate risk management groups for Duke Energy. She was named general manager of treasury and risk reporting, governance, and compliance in 2007. Prior to joining Duke Energy, Swati was a branch manager at a local bank.

Swati serves on the board of directors of Charlotte Community Health Clinic and on the board of advisors of the Queens University of Charlotte McColl School of Business.


Swati Daji

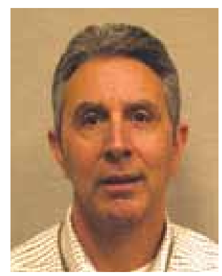
Pinnacle West

Richard LaPeter, manager, risk management, Arizona Public Service Co., Phoenix, is Pinnacle West's new EIM Risk Manager Representative.

A native of New York City, Richard graduated from Excelsior College, Albany, NY, summa cum laude.

Richard joined APS in 1985 as a nuclear operator. Before joining the company, Richard served in the U.S. Navy, in its nuclear power program. He has been a member of APS' risk management organization since 2010 and in his present position since February of this year.

Richard's current professional certifications are: Project Management Professional (PMP) and Lean Green Belt (Lean/Six Sigma certification from Arizona State University). He was certified as a Senior Reactor Operator (SRO) as well as an SRO Instructor and Technical Writer and professionally licensed as a Reactor Operator (RO) by the U.S. Nuclear Regulatory Commission (NRC). He is currently working on the ARM designation.


Richard LaPeter

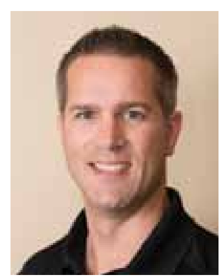
PSE

Brandon Lohse, corporate treasurer, PSE, Bellevue, WA, is PSE's new EIM Member Representative.

A native of Ohio, Brandon received in 1997 a bachelor's degree in finance from Seattle Pacific University, Seattle, WA, and a master's in business administration in 2004 from Washington University, St. Louis, MO.

Brandon joined PSE in September 2009 and has worked as assistant treasurer and manager of derivative accounting prior to being named corporate treasurer. He began his career in 1997 at Freightliner Corporation, Portland, OR, before going to Freddie Mac, McLean, VA, in 2004. From 2006 to 2007, he worked for Navigant Consulting in McLean. Then, in 2007, he moved to JP Morgan Chase, Seattle, where he was vice president, mortgage valuation and derivative accounting.

Brandon is treasurer of the PSE Foundation and holds the CTP professional designation.


Brandon Lohse

WPX

Danni S. Morris, treasurer, WPX Energy, Tulsa, OK, is this Member's new EIM Member Representative.

A native of Oklahoma, Danni graduated from Northeastern State University in 1993 with a bachelor's degree in business administration, focused in finance. She also earned a master's degree in business administration in 2002 from The University of Tulsa.

Danni joined WPX as assistant treasurer in 2012 and was promoted to her current role in August 2013. Prior to WPX, Danni had been part of The Williams Companies, Inc., since July 1995, where she had a number of increasing responsibilities in accounting and planning. While at Williams, Danni was in the Exploration and Production acquisitions and divestitures group, where she was a manager in a multi-disciplined project evaluation team. From October 1993 to June 1995, she worked for Kaiser Francis Oil Company in various accounting roles.


Danni Morris

Balance Sheets

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

	6/30/13	12/31/12
Assets		
Investments	$ 1,197,516	$ 1,300,041
Cash and cash equivalents	118,008	63,113
Reinsurance paid in advance	39,437	40,978
Insurance balances receivable	11,227	5,561
Reinsurance recoverable on unpaid losses and IBNR	374,385	388,090
Other assets	40,075	44,063
Total assets	$ 1,780,648	$ 1,841,846
Liabilities and Policyholders' surplus		
Liabilities:		
Reserves for losses and loss adjustment expenses	$ 738,956	$ 820,734
Unearned premiums	95,544	109,979
Reinsurance balances payable	38,701	35,618
Deferred income tax	8,167	7,406
Accrued expenses	38,965	45,133
Borrowings on line of credit	17,000	-
Total liabilities	937,333	1,018,870
Policyholders' surplus:		
Members' account balance	730,329	688,130
Accumulated other comprehensive income	112,986	134,846
Total Policyholders' surplus	843,315	822,976
Total liabilities and Policyholders' surplus	$ 1,780,648	$ 1,841,846

Statements of Income and Comprehensive Income

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

	6/30/13	6/30/12
Underwriting income		
Net premiums earned	$ 57,318	$ 52,390
Ceding commission	1,355	1,466
Total underwriting income	58,673	53,856
Underwriting expenses		
Net losses and loss adjustment expenses	21,337	60,740
Policy acquisition costs	1,013	1,054
Administrative expenses	6,534	6,001
Total underwriting expenses	28,884	67,795
Income (loss) from underwriting	29,789	(13,939)
Investment income	46,620	27,803
Income before Policyholders' distribution	79,409	13,864
Policyholders' distributions	18,000	-
Income before income taxes	61,409	13,864
Federal income tax expense	19,210	2,975
Net income	42,199	10,889
Other comprehensive income		
Change in unrealized gain on securities, net	(21,860)	16,317
Comprehensive income	$ 20,339	$ 27,206

(EIM Introduces Five New Members continued from page 7)

infrastructure assets provide steam, hot water, and/or chilled water and, in some instances, electricity to commercial businesses, universities, hospitals, and governmental units in 10 locations, principally through long-term contracts or pursuant to rates regulated by state utility commissions.

Ohio Gas

Ohio Gas Company provides natural gas service to approximately 48,000 residential, commercial, and industrial customers in 40 communities in northwest Ohio that are in the following counties: Defiance, Fulton, Henry, Lucas, Paulding, and Williams.

Ohio Gas is a privately owned utility company that is regulated by the Public Utilities Commission of Ohio (PUCO). The company was incorporated in 1914.

Ohio Gas has approximately 80 employees. Most of the staff is located in Bryan, including the main office and the operations/engineering building.

Summit Utilities

Summit Utilities is a privately held holding company that owns and operates several natural gas distribution and transmission subsidiaries: Colorado Natural Gas, Inc.; Summit Natural Gas of Missouri, Inc.; and Summit Natural Gas of Maine, Inc.

Summit also has these related companies: Summit Gas Transmission, Inc.; Summit Utilities Management Services, LLC; and Wolf Creek Energy LLC. The natural gas subsidiaries construct and install natural gas distribution systems in order to provide natural gas to residential and commercial customers.

Summit Utilities was founded in 1996 by two entrepreneurial-minded executives. The subsidiaries serve approximately 40,000 customers and operate more than 1,290 miles of pipeline in Colorado and Missouri. By 2017, its Summit Natural Gas of Maine subsidiary will operate an additional 88 miles of pipeline and serve at least 15,000 customers in Maine's Kennebec Valley.

Martee Halloran Retires After 21 Years with EIM

Martee Halloran, EIM's eighth employee, who began her 21-year career as receptionist on June 1, 1992, retired August 23, as document and information coordinator and EDMS (Electronic Document Management System) project manager. In between, Martee was administrative assistant, working for all departments, and then executive assistant to the president.

Martee Halloran

Martee listed these as the highlights of her career with EIM:

One, receiving in June 1996 a master's degree from Troy State University, MacDill Air Force Base Campus, through EIM's education program;

Two, taking a trip to Barbados to assist with a Company Board meeting; and

Three, having always been a "greenie," being the project manager for selecting and implementing a brand new EDMS in EIM's quest to become a paperless office was truly the administrative highlight of my career.

Martee added, "For quite a while now, my husband Mark and I have been planning to retire in Key West. Well, now we do not have to retire there; we are going to live there! Mark has accepted the position of director of finance for AIDS Help, one of the largest non-profits in Key West."

Scott Goodell, EIM president and CEO, said, "As one of the Company's longest-tenured staff members, Martee played an essential role in carrying out EIM's commitment to Member Companies, maintaining its focus on quality service, and supporting its ongoing efforts to provide meaningful risk management solutions. We will miss Martee and wish her the best as she and Mark undertake this new and exciting opportunity."

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"We say goodbye to someone who helped position EIM from its start"

—From Scott Goodell

Dwayne Summar

There are not many that can lay claim to being a part of EIM from the start, but Dwayne Summar is one of them.

In June 1986, when EIM was formed, it soon became apparent that the new Company needed a strategic communication program. EIM was brand new, with no reputation; yet, it was competing with well-established commercial carriers.

Dwayne was hired in September 1986 and began working closely with the Board of Directors, which met monthly in Barbados. All of the work had to be done from there. Dwayne was in and out several times a month. All of his work had to be done from there, too, for almost two years.

On day one, I'm told, Dwayne changed EIM's corporate color from brown to red. Roadshows were prepared for audiences in Canada and Mexico. The Company's initial information meeting for Member reps was held that December in Bridgetown, Barbados. There was an active media relations component, one aimed at utility and insurance publications. There were a few ads and lots of direct mail.

Thousands of pages of copy have been written for EIM over these more than 27 years. Most were prepared for annual reports or *Members Reports*. To date, Dwayne has written 27 annual reports and 58 newsletters. This is his final one.

Unlike Hitchcock and Rockwell, Dwayne has never felt the need to "put himself into the picture," preferring instead to work behind the scenes, ensuring that EIM's communication with Member Companies was timely, relevant, and interesting.

Tom Nunnelly, EIM's first president recalls, "Having worked with Dwayne at Southern Company, I knew he was perfectly suited to help the new venture communicate its message to prospective Members. I talked with Dwayne, who was then living in Miami, on my way back to Atlanta from the August Board meeting. Dwayne met with the Board in Barbados the following month; the rest, as they say, is history."

Tom remembers that Dwayne wowed the Board with his industry knowledge and expertise and also recounts that, "Board members were impressed that Dwayne had been student body president at the University of Tennessee. I guess they figured if he could capture the popular vote while at UT, he could help us garner the utility industry support we needed to get EIM off the ground. And they were right!"

We will miss his unmatched knowledge of EIM and its history and his appreciation for the utility industry (he spent 21 years at Southern Company, having been that company's first public relations employee to be elected vice president).

From all of us at EIM, we thank Dwayne for a body of work well done.

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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