



MAKING INROADS TOWARD A “LESS-PAPER” ENVIRONMENT

In 2011, EIM began efforts to reduce the amount of paper used in its day-to-day operations by investigating alternative methods for creating, distributing and storing documents.

With more than 165 Member Companies, over 350 property and liability policies renewing annually, and more than 700 open claim files, EIM generates hundreds of thousands of hard copy pages each year. In recognition of this fact, EIM created a document management team tasked with mapping the organization’s key workflow processes and determining how paper documents could be minimized. The committee created detailed workflow schematics for the use of underwriting, accounting and claims functions, and ultimately recommended a document management system that would significantly reduce paper dependence.

“I saw the potential to streamline workflows, enhance file access, and reduce EIM’s paper dependence.”

—Ann Joslin, Vice President, Claims

Starting in November 2012, EIM installed Fortis Document Management software, focusing first on claims processing. The initiative went live in July 2013, and the results so far have been positive.

(Continued on page 2)

2014 Annual EIM Risk Managers Information Meeting

Date: February 16–18, 2014
Location: Rosen Shingle Creek in Orlando, Florida

Planning is in full swing for the 2014 EIM Risk Managers Information Meeting scheduled for February 2014 in Orlando, Florida.

In addition to reviewing EIM and EIS operating highlights, the 2014 Risk Managers Information Meeting will provide a forum to examine emerging industry issues and offer thought-provoking presentations on how to more effectively manage risk.

(Continued on page 8)



“...Defined by the company we keep.”



Risk Manager Survey, page 3-4



EIS update page 5



New Member Reps. page 6



New Member Companies page 7



Events & Awards pages 8-9



Member Portal page 9



Q3 2013 Financial Report page 10

GOING PAPERLESS

(Continued from cover)

EIM is purchasing less paper stock, sending fewer files to offsite storage, and accessing documents far more easily through a centralized database.

The underwriting group followed in October 2013, targeting full functionality by the end of the year. A similar implementation timeframe was instituted for the finance department, where the Fortis system will allow EIM to electronically capture monthly, quarterly and

annual financial information, routinely access investment portfolio performance summaries, and regularly distribute finance reports to the EIM Board and Membership.

“We are sending far fewer hard copy files offsite and using far less paper.”

—Jane Murphy, Office Manager

While EIM’s addition of the document management system will greatly reduce creation of hard copy files, “less paper” is a more realistic expectation than “paperless.” Nevertheless, EIM Member Companies should see more efficient renewal processing, streamlined claims handling, and the ability to more quickly distribute company updates.

“Once documents are scanned, I have easier access and can share underwriting information more quickly and efficiently.”

—Sandra Imbriani, Underwriting Manager

“Working with the new Fortis system makes the process of managing the underwriting files much easier and faster. No more printing, shuffling, or filling paper! Information is now available with just a click of the mouse.”

—Jeanne Allen, Underwriting Assistant



RISK MANAGER SURVEY

EIM's Risk Manager Survey, conducted by the Insurance Advisory Committee (IAC) every other year, was finalized in October 2013.

Member companies were surveyed on coverage adequacy, underwriting decisions, claims handling, communication regarding EIM's financials, and Energy Insurance Services (EIS). In addition, EIM used the survey to gauge membership interest in Additional GL limits, Cyber products, The Energy School.

Both the IAC and EIM management are appreciative of the responses and view this bi-annual survey as a critical tool in evaluating performance and setting strategy at EIM.

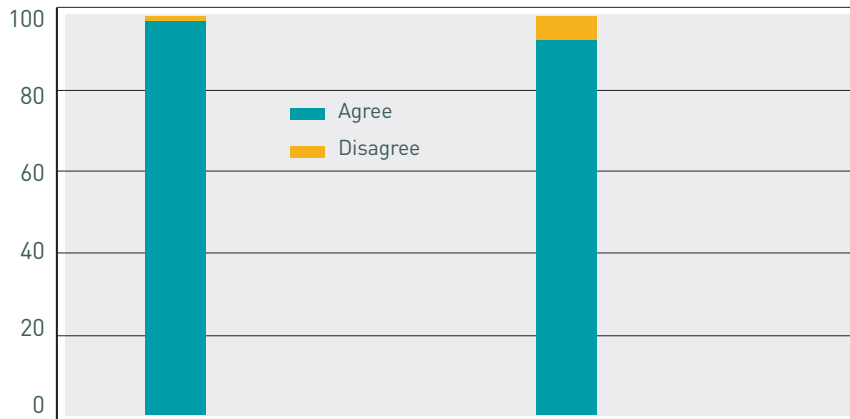
Responses to the survey include the following:

EIM communicates financial and operational issues to its Member Companies in a timely fashion.

EIM's underwriting decisions are reasonably reflective of my risk exposure and loss history.

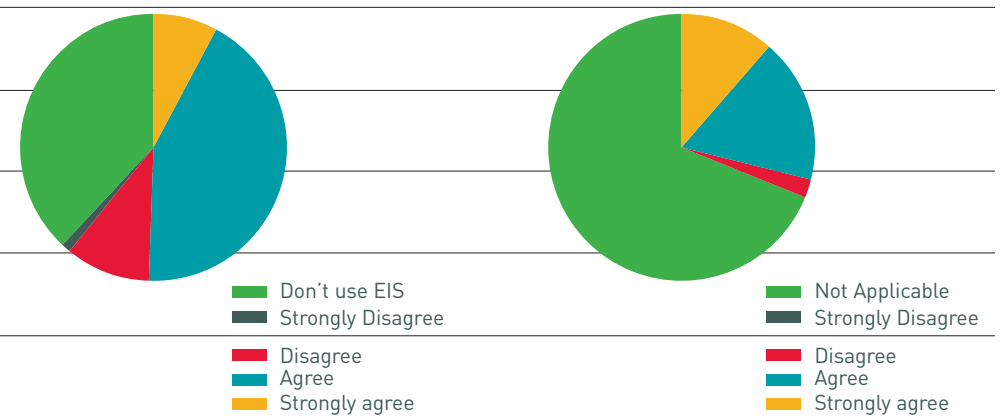
I am aware of the services provided by Energy Insurance Services. (EIS, a wholly owned subsidiary of EIM) and would like to learn more.

EIM handles claims in a reasonable, timely and professional manner and its position is clearly communicated.



99% of responding Member Companies agree that EIM communicates financial and operational issues in a timely fashion.

94% who replied agree that EIM decisions are reflective of risk exposure and loss history.



81% of survey respondents are aware of the services provided by EIS (Five members are interested in learning more).

92% of survey respondents with claims experience replied that EIM handles claims in a reasonable and professional manner.

RISK MANAGER SURVEY

(Continued from p.3)

Would you be in favor of seeing EIM facilitate an increase in Excess GL limits?

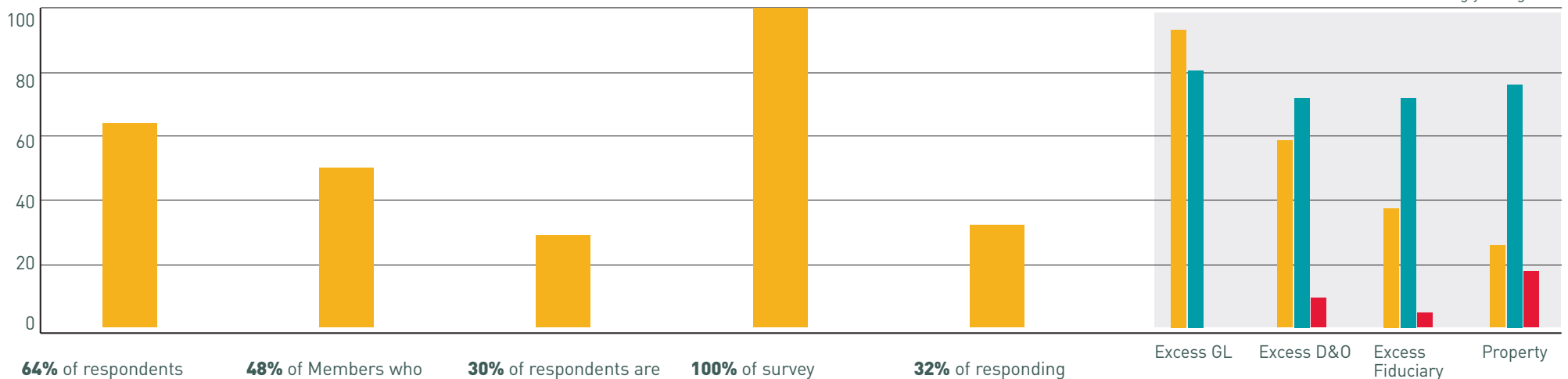
I have or plan to purchase cyber risk insurance in the next 12 months. Please comment on the scope of coverage purchased or contemplated.

The next Energy School is scheduled in 2014. Does your company plan to send an attendee at that time? If so, please comment on the number of people you plan to send and their positions held at your company.

I know the IAC representative are readily accessible for questions or input I have on EIM Board or Management issues.

EIM currently maintains a website and a Member Portal, should EIM create an App for the RMIM?

Do the policy limits and attachment points offered by EIM meet your needs?



64% of respondents agree that EIM should look at increasing GL limits (depending on pricing and market need).

48% of Members who replied buy or plan to buy cyber liability in the next 12 months (however, most buy or plan to buy \$35M or less).

30% of respondents are interested in the Energy School, with 19 possible attendees listed.

100% of survey participants feel that the IAC representatives are readily accessible for questions or input on EIM Board or Management issues.

32% of responding members felt that a conference mobile application was needed for the Annual Risk Managers Information Meeting.

97.5% of respondents agree that EIM policy limits and attachment points meet their needs (85% on property).

EIS Concludes a Successful Program Advisory Committee Conference

At the 7th annual Program Advisory Committee Conference a record number of Mutual Business Program (MBP) attendees met with senior representatives from EIS, USA Risk Group (South) and a number of consultants, brokers, actuaries and advisers to review MBP performance, assess risk management needs, and establish a shared vision for future EIS goals and objectives.

In addition to individual meetings, EIS chaired a general session that included a tax and audit update from Johnson Lambert LLP, a banking overview from Wells Fargo, a summary of investment trends from Merrill Lynch, and an operational briefing from USA Risk (South).

Recently recognized for Innovation in Captive Management and as Independent Captive Manager of the Year at the US Captive Service Awards, USA Risk (South) was pleased to report that the company had again successfully completed its Service Organization Controls Report I (SOC 1) review of operational controls. This review provides significant assurances regarding the safeguards and controls in place for organizations offering outsourced services.

The general session also included member representative updates on captive initiatives, including TRIPRA and OCIP coverages. Recent developments in the South Carolina captive regulatory arena were also addressed — in particular, the recent appointment of William “Jay” Branum to the

newly created position of Director of Captives for the South Carolina Department of Insurance. Mr. Branum’s appointment is viewed as a positive step toward maintaining South Carolina’s position as one of the leading captive jurisdictions in the United States.

Robert Schmid, Chief Operating Officer of EIS, **Tommy Bolton**, Chief Financial Officer of EIM, and **Scott Goodell**, EIM’s President and CEO, provided an overview of joint initiatives currently underway at EIM and EIS. These include expansion of the EIM EPIC policy issuance and administration system to incorporate EIS transactions, along with further refinement of EIM software applications such as Peachtree (accounting), Clearwater (investments)



Robert Schmid
Chief Operating
Officer of EIS

“It is exceptionally rewarding to see the growth and development of MBPs as they capitalize on the innovative risk management approaches available through EIS.”



and RIO (enterprise risk management) to provide MBP’s with enhanced reporting, internal controls, and more data analytics.

Conference participants reported that the meeting was informative and provided valuable insights concerning the current state of the captive marketplace. In addition, many appreciated the opportunity to share ideas with fellow risk managers and to learn more about potential solutions that could help them better and more efficiently manage risk.

Inquiries regarding EIS or MBP formation can be directed to Robert Schmid at rschmid@eimltd.com.

NEW MEMBER REPRESENTATIVES



Narmada
Nanjundan

As Director of Risk for East Kentucky Power Cooperative (EKPC), Narmada is responsible for EKPC's enterprise risk program (ERP), as well as the market risk, business insurance and business continuity programs.

She has over 15 years of experience in the energy industry, specifically with investor-owned utilities, the federal government, and cooperatives. Previously, she served as Branch Chief for Surveillance, Energy Market Oversight at the Office of Enforcement within the Federal Energy

Regulatory Commission. Narmada has also worked for NextEra Energy Resources, Duke Energy and Exelon.

She holds a master of science degree in Economics from Illinois State University, a graduate degree in Cost Accounting from the Institute of Cost Accountants of India, and a bachelor of commerce degree in Taxation from Bangalore University. Narmada earned her Energy Risk Professional (ERP) certification in 2013 from the Global Association of Risk Professionals (GARP).



Michael A.
McNalley

Michael has served as Executive Vice President and Chief Financial Officer for the East Kentucky Power Cooperative since 2010. He also held a variety of executive roles at DTE Energy in Detroit.

He earned his bachelor of arts degree in Economics from Reed College in Portland, as well as an MBA from the Amos Tuck School of Business at Dartmouth College.

Active in the community, Michael is the Board President Elect of the Lexington Philharmonic Society and a board member of the Kentucky Opera Association.



Michael
O'Connor

Michael is the Associate General Manager and Chief Legal Executive of the Salt River Project (SRP). Prior to joining SRP in 2011, he was a partner at Jennings, Strouss & Salmon, where he practiced law for 27 years.

He has received several honors and recognition while in private law practice, including being listed in The Best Lawyers in America from 2005 to 2012, Southwest Super Lawyers from 2009 to 2012, and Best of the Bar by Business Journal in 2005.

Michael earned a bachelor of arts degree in Political Economy from Johns Hopkins University in 1982, as well as a law degree from the George Washington University National Law Center in 1985.

He contributes to the community on a regular basis, having held positions for Desert Voice's Oral Learning Center, Brophy Dad's Club, North Scottsdale Little League, and Valley of the Sun United Way.

NEW MEMBER COMPANIES



Edison Mission Energy, Inc.

Headquartered in Santa Ana, California, Edison Mission Energy (EME) is a holding company whose subsidiaries and affiliates are engaged in the business of developing, acquiring, owning or leasing, operating, and selling energy and capacity from independent power production facilities.

East Kentucky Power Cooperative, Inc.

East Kentucky Power Cooperative is owned and governed by 16 other Kentucky electrical cooperatives. Together, these cooperatives distribute power to more than one million Kentuckians in 87 counties.

MarkWest Energy Partners, L.P.

MarkWest Energy Partners is a publicly traded master limited partnership formed in January 2002. They are engaged in the gathering, processing and transportation of natural gas; the transportation, fractionation, storage and marketing of NGLs; and the gathering and transportation of crude oil.

Crestwood Midstream Partners

The Crestwood family of companies includes two publicly traded master limited partnerships, Crestwood Equity Partners LP and Crestwood Midstream Partners LP. They own and operate midstream assets reaching across the energy value chain, serving producers and users of hydrocarbons across the United States.



2014 Annual EIM Risk Managers Information Meeting

(Continued from cover)

Presentations will include updates on managing cyber risk, better understanding uncertainty inherent in risk assessment, and exploring potential solutions to better and more efficiently manage risk. EIM is looking forward to an informative and productive conference. And as always, the meeting provides

the opportunity to catch up with friends and colleagues while enjoying fun-filled activities in Florida's balmy winter weather. If you haven't done so already, register at www.eimltd.com or contact Taniyka Ragland (tragland@eimltd.com).

A WORTHY RECIPIENT

On this special night, Missouri State University student Jennifer Richey accepted the first David L. Hadler EIM Risk Management Scholarship award, which was presented by Eryl Hadler.

As part of the scholarship, Jennifer also received a paid internship in Risk Management at City Utilities of Springfield (CU).

The scholarship was established in honor of David Hadler, following a donation by EIM as directed by Jack Hadsall, the February 2013 recipient of the David Hadler Risk Management Award. The scholarship fund is now endowed in excess of \$40,000, which will enable the annual award to continue indefinitely.

Left to right, Jack Hadsall; Sandy Meyers CU; Rhonda Day AEC; Bob Carleton CU; Jennifer Richey MSU; Eryl Hadler; Rob and Mary Schmid; EIM with Dr. Stan Adamson; Baker Chair of Insurance, MSU



APPLAUDING GARY LITTLE

RECENTLY, GARY LITTLE — FORMER MANAGER OF CORPORATE INSURANCE AT PROGRESS ENERGY (NOW DUKE ENERGY) — WAS HONORED FOR HIS SERVICE ON THE IAC FROM MAY 2007 TO DECEMBER 2012. GARY RETIRED FROM DUKE ENERGY ON APRIL 30, 2013.



GIVING BACK

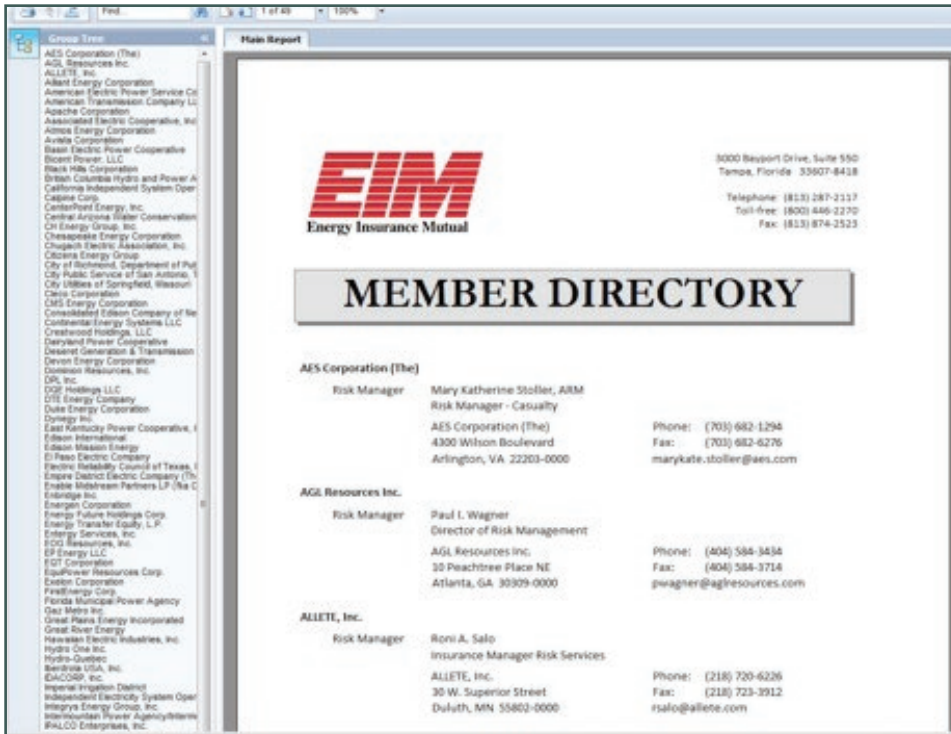
EIM recently prepared 40 meals for Tampa's Ronald McDonald House. Staff prepared appetizers, entrees and desserts that were then delivered to families residing at the House. Meals were prepared at Dinner Done, a local Tampa business that provides recipes and raw ingredients for fresh and healthy meals.



EIM Tours Gasification Facility

On November 7, EIM visited Tampa Electric Company's state-of-the-art integrated coal gasification combined-cycle (IGCC) power plant, which produces enough electricity to serve 75,000 homes.

After an educational session on the coal gasification process, the EIM team toured the facility, getting a hands-on introduction to one of the few IGCC plants in the United States. EIM thanks Edsel Carlson, Risk Manager and Lloyd T. Webb, PE, CMRP, Plant Manager for hosting.



Expanding Functionality on the Member Portal

In response to member requests, EIM has expanded the functionality of the Member Portal, adding an easy-to-access Member Directory.

You can now retrieve company information for each EIM Member Company, including contact information for Member Company representatives and risk managers.

As a reminder, the Member Portal can be used to access current and historical copies of EIM policies, premium and claims history, and a summary of EIM distributions.

We encourage Member Companies to access the Portal at www.eimltd.com and would be happy to entertain any requests for additional functionality. Contact Joan Bryant at jbryant@eimltd.com for more information.

Q3 2013 FINANCIAL REPORT

Balance Sheets

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

	9/30/13	12/31/12
Assets		
Investments	\$1,277,010	\$1,300,041
Cash and cash equivalents	37,183	63,113
Reinsurance paid in advance	41,648	40,978
Insurance balances receivable	1,407	5,561
Reinsurance recoverable on unpaid losses and IBNR	407,371	388,090
Other assets	25,375	44,063
Total assets	<u>\$1,789,994</u>	<u>\$1,841,846</u>
Liabilities and Policyholders' surplus		
Liabilities:		
Reserves for losses and lae	\$720,682	\$820,734
Unearned premiums	107,162	109,979
Reinsurance balances payable	39,484	35,618
Accrued expenses	8,102	7,406
Deferred income tax	45,849	45,133
Total liabilities	<u>921,279</u>	<u>1,018,870</u>
Policyholders' surplus:		
Members' account balance	742,307	688,130
Accumulated other comprehensive income	126,408	134,846
Total policyholders' surplus	<u>868,715</u>	<u>822,976</u>
Total liabilities and policyholders' surplus	<u>\$1,789,994</u>	<u>\$1,841,846</u>

Statements of Income and Comprehensive Income

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

	9/30/13	9/30/12
Underwriting income		
Net premiums earned	\$87,902	\$80,998
Ceding commission	2,019	2,186
Total underwriting income	<u>89,921</u>	<u>83,184</u>
Underwriting expenses		
Net losses and loss adjustment expenses	36,179	68,781
Policy acquisition costs	1,511	1,578
Administrative expenses	8,243	7,673
Total underwriting expenses	<u>45,933</u>	<u>78,032</u>
Income from underwriting	43,988	5,152
Investment income	<u>55,799</u>	<u>48,171</u>
Income before policyholders' distribution	99,787	53,323
Policyholders' distributions	18,000	-
Income before income taxes	<u>81,787</u>	<u>53,323</u>
Federal income tax expense	27,610	15,958
Net income	\$54,177	\$37,365
Other comprehensive income		
Change in unrealized gain on securities, net	(8,438)	30,593
Comprehensive income	<u>\$45,739</u>	<u>\$67,958</u>

EIM's **Members Report** is electronically published four times per year. The Company's annual report is published in May. Comments, questions, and suggested subjects from members are sincerely welcomed.