

MEETING THE CHALLENGE OF CYBERSECURITY

Cyber risk has been a longstanding topic of discussion for businesses throughout the world and, in particular, electric and gas utilities.

Beginning with coverages for data breach and restoration of credit ratings, cyber coverage has slowly evolved to encompass risks that extend beyond consumer relationships. This move from corporate data to operational data has increased focus on control systems and potential risks associated with utility industry infrastructure.

A November 2013 poll of senior officials in the White House, Pentagon, Congress, and defense industry, underwritten by United Technologies, found that 45 percent of respondents believe a cyber-attack represents the greatest threat to the United States, exceeding by 20 percentage points the threat of terrorism. Much of this

concern is based on the fact that while there is overwhelming consensus that the cyber threat exists and that we must prepare for it, we do not fully understand the consequences of potential cyber-attacks. What exercises like GridExII confirmed, however, is that potential ramifications of cyber assaults can be widespread, extensive (both in terms of time and damage), and devastating.

For over five years, the EIM Insurance Advisory Committee (IAC) has examined both the risks presented by cyber-attacks and the coverages available. Through its cyber risk task force, the IAC has been instrumental in developing a “wish list” of coverages outside the basic breach response and privacy coverage widely available in today’s market. These coverages encompass disruption of service and physical damage to systems and equipment, as well as compromised access to the grid.

(Continued on page 2)



David L. Hadler
Risk Manager of the Year
pages 3-4



EIS Update
page 5



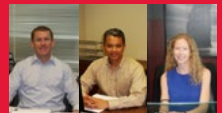
RMIM Follow-Up
page 6



New IAC Member
page 7



New Member Reps and Companies
pages 8-10



New EIM Employees
page 11



Q1 2014 Financial Report
page 12



(Continued from cover)

The IAC has reviewed numerous forms of cyber coverage including a recently introduced London-market supported product, the Critical Asset Protection (CAP) policy. The coverage provided by this policy is uniquely suited for the energy sector, including but not limited to power generators (investor-owned utilities and independent power producers), oil and gas pipeline/distributors, regulated and independent utilities, as well as municipal and private water and sewer service providers.

The CAP policy addresses both the network security risk (infrastructure) to cyber-attacks as well as the information security risk (confidential corporate information and third party consumer and/or employee information) for data used, collected, transmitted or stored by insureds or their contracted technology vendors/cloud service providers.

The underwriting process employs a cyber consulting firm who assists in risk rating by performing an in-depth cyber security risk assessment which is billed to prospective insureds at a reduced fee of \$32,500. The \$32,500 assessment fee is fully credited by underwriters at policy binding.

Coverage options include the following:

- § Business and dependent business income loss
- § Extra expense cover
- § Privacy liability
- § Breach response costs
- § Indemnity for failure to supply claims
- § Cyber terrorism cover
- § Fines and penalties for non-compliance with NERC CIP and other regulatory bodies
- § Executive Order 13636 notification of underwriters' condition
- § Energy management systems, SCADA and critical assets all defined terms

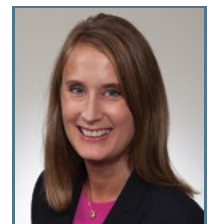
Premiums include a contribution from underwriters equal to 2.5% of subject premium (up to a maximum of \$40,000) to be allocated to the insured as a risk management budget for enhanced risk management activities, including system security remediation efforts and incident response preparedness.

Up to \$100 million in limits (with a minimum retention of \$2.5 million) is available, backed by US, London and European markets.

As with any insurance coverage, risk management needs vary with individual insureds. Cyber coverage is available in many forms, encompassing a variety of coverages. EIM is committed to supporting Member Companies in their efforts to identify and secure responsive cyber risk protection. To this end, the Company is available to review and underwrite any cyber coverage that Members find compatible with their excess coverage needs.

[CLICK HERE TO LINK TO THE CAP PRODUCT BROCHURE.](#)

For more information contact:
Jill Dominguez,
jdominguez@eimltd.com



Recipient of the 2013 David L. Hadler Risk Manager of the Year Award

Bill Powell, Vice President of Member Relations at AEGIS, and 2014 recipient of the David L. Hadler Risk Management Award, provides his insights on risk management.

How did you get involved in the energy industry?

I earned a Masters of Science in Environmental Health & Safety from West Virginia University. For two years following college I worked for Union Carbide Corporation as a Safety Engineer. My foray in the utility industry began 35+ years ago with the Salt River Project as a Health & Safety Specialist. There, I ascended to Manager of Safety & Loss Control where I excelled for 13 years. In 1991, I became Manager of Risk Management until 2008 when Environmental Services was added to my list of responsibilities. As the Manager of Risk Management & Environmental Services I had operational risk responsibilities for: Health & Safety, Workers Compensation, Security, Property/Casualty Insurance, Business Continuity, and Environmental Services overseeing six managers and 65 risk professionals. I joined AEGIS as Vice President of Member Relations in late 2011, and am still in that role.

How did you get involved with EIM?

EIM was on Salt River Project's insurance program dating back to 1986. I became more directly involved with EIM in 1996 when I joined EIM's Insurance Advisory Committee (IAC). I was IAC Committee Chair from April 2005 to May 2007, then served on the Board's Strategic Planning Committee for another three years.

I made a lot of good friends during that time. We worked hard and we played hard too. During that time I learned that the one constant and important theme for mutual insurance companies is to balance the needs of the industry and their members against the amount of risk EIM is willing to accept for the good of all members. This was certainly true when the IAC took on how to best respond to the risk of terrorism after 9/11/2001, following the enactment of TRIA, as well as dealing with the fallout of a post-Enron D&O market. Additionally, during my tenure on the IAC, EIM began hosting an annual meeting with brokers to help build strong relationships and stay in touch with issues and market conditions. Lastly, I worked with EIM's senior leadership team to help develop an updated long term strategic plan which still serves as a guide today.

What are the hottest topics facing the energy industry today?

Cyber risk is the current industry challenge every energy company is concerned with. It has been difficult for risk managers to get their heads around. Mutual insurers are coming to the aid of risk managers to help with not only insurance but improved understanding of cyber risk severity in terms of maximum foreseeable loss; how to analyze the risk and vulnerabilities with both information technology and operating system technology; and offering related cyber loss control services.



What else keeps you and other risk managers awake at night?

Well, my kids are grown so they don't keep me up at night anymore! But in terms of risk, there are three challenges in addition to cyber risk confronting the industry:

Challenge 1

The current investment environment. Catastrophic losses, costs to defend claims, increasingly large damage awards, etc., are all contributing to the need for excess liability rate increases in order to keep our mutuals financially strong and stable. This means there is not much latitude for sloppy underwriting. We have to get it right. This is all converging on risk managers at a time when budgets are highly constrained so the loyalty of the mutual company members is being tested. From what I see, EIM and AEGIS are receiving terrific support from core members which is highly encouraging.



BILL POWELL

(Continued from p.3)

Challenge 2

Climate change is causing an unsettled global atmosphere and in turn that is leading to unprecedented frequency and severity of natural disasters like tornados, hurricanes, wildfires, etc. No matter where your opinion lands regarding the science of climate change, the fact is there are more global climate events today and we all know what that means in terms of insurance, claims and loss control. This added factor makes a risk manager's job far more complex and difficult in today's world.

Challenge 3

You may be surprised at this one: The trend to legalize and relax marijuana laws, whether for medical or recreational purposes in the U.S., presents new challenges for risk managers. The natural gas and electric power industry is chock full of very unforgiving, high energy hazards. Safe, reliable operations and public safety require clear thinking by our highly-trained industry's employees. The capabilities for employers to detect this substance impairment — and at what level — are not fully developed, which is problematic. You may think this is more of a human resources issue but the carryover to risk management is evident and concerning.

What contributions to your community are you most proud of?

The Salt River Project was very encouraging of community involvement so I was happily involved in six or eight civic and community non-profit organizations over the course of my career there. My time on the City of Scottsdale's Loss Trust Fund Board provided me an opportunity to see risk and financial management through the lens of a municipal risk manager. I'm also proud of my contributions to Homeward Bound, Scottsdale Prevention Institute, and Workshops for Youth and Family among others.

How has being a David L. Hadler Risk Manager of the Year Award recipient affected you?

Firstly, David was a friend. To have my name associated with his fills me with great pride. None of this would have been possible had I not started down this career path by getting my MS in Safety Management in the College of Engineering at West Virginia University.

At this point in my career I decided it was important to pay it forward to help others get a shot at a career like I'm having and advancing risk management by helping populate the energy industry with academically trained safety professionals. To that end I made a commitment to establish the Safety Management Alumni Scholarship fund through the WWU Foundation.

Though this Master's Program has been in existence since 1972 and it was one of the very first safety management programs in the country, this is the first permanently endowed scholarship available to graduate students.

Once fully endowed, hopefully next year, the scholarship will be awarded to a deserving student annually. At the same time, I committed to finding internship opportunities for graduate students in the energy industry.

What do you do for fun?

I'm in the golf mecca of the west, Scottsdale, so I get out to golf a bit. In late May I'll be hiking the Grand Canyon from the South rim to the North rim and back — about 48 miles in two days. I'm looking forward to the challenge. Of course, like a good risk manager, I have prepared for three months, am in good shape and have all the right equipment to get it done safely.



EIS Offers Alternative Solutions For Terrorism Coverage

In the aftermath of the September 11, 2001 terrorist attacks, Congress quickly moved to enact the Terrorism Risk Insurance Act (TRIA) which provided much needed stability to both the insurance marketplace and businesses throughout the United States who relied heavily on insurance to mitigate the risk of terrorist events.

The Act was reauthorized in 2005, and then again in 2007 as the Terrorism Risk Insurance Program Reauthorization Act (TRIPRA). With TRIPRA scheduled to expire at December 31, 2014, many insurers have either cut back terrorism capacity, or introduced coverage language designed to amend or terminate terrorism protection based on the outcome of congressional TRIPRA renewal discussions. While the TRIPRA extension has received overwhelming support from the business and insurance communities, as well as strong support within both the Senate and the House, lingering questions remain concerning the scope and financial underpinnings of an extended TRIPRA. This uncertainty has prompted some organizations to consider alternatives to traditional terrorism capacity, including the use of protected cell captives.

EIS' TRIPRA Wrap policy provides coverage for gaps existing in the current TRIPRA program, and can be readily tailored to incorporate any changes to TRIPRA post-December 2014.

While EIM policies will continue to provide excess terrorism coverage, EIS, working in tandem with the London market, has been at the forefront of manuscripting terrorism protection for Member Companies. Managing self-insured retentions, identifying dedicated insurance capacity, and tailoring coverage to meet specific company needs, are all elements of the model already in place through EIS.

As an example, TRIPRA currently provides a reinsurance backstop for certified terrorism events that exceed \$100 million. The TRIPRA Wrap policy also covers terrorism losses below the \$100 million trigger, and can be modified to address future attachment levels endorsed by Congress as part the TRIPRA renewal process. Similarly, certified losses are covered at 85% excess of the TRIPRA deductible, which is equal to 20% of direct written premiums.

Should Congress adjust either the 85% coverage percentage or increase the TRIPRA deductible, the EIS Wrap policy can incorporate these changes on a going forward basis without an elimination or gap in coverage.

Despite widespread support, mid-term elections and the legislative calendar suggest the TRIPRA extension will not receive attention until very close to its expiration date, or possibly as late as the first quarter 2015. In view of this fact, and with some appreciation for the possibility (however remote) that TRIPRA expires at the end of December 2014, identifying and acquiring stable insurance support for terrorism exposure is a paramount risk management consideration. The EIS TRIPRA Wrap policy offers precisely the security and stability that will enable Members to better manage the vagaries of the legislative process.

Inquiries regarding EIS or TRIPRA Wrap policies can be directed to Robert Schmid at rschmid@eimltd.com.



RMIM FOLLOW UP

Have You Completed Your Risk Managers Information Meeting Homework?

At the February 2014 Risk Managers Information Meeting (RMIM), Theresa Payton, President and CEO of Fortalice, provided attendees with a 90-day action plan to help address cybersecurity concerns.

If you took the homework assignment to heart and addressed the action items set forth in the plan, you are well on your way to a more comprehensive and effective cybersecurity risk mitigation program. Theresa also highlighted the impending report from the co-chairs of the Bipartisan Policy Center's Electric Grid Cybersecurity Initiative scheduled for publication shortly after the 2014 RMIM, entitled, "Cybersecurity and the North American Electric Grid: New Policy Approaches to Address an Evolving Threat."

[The report](#), published in late February 2014, recommended establishment of new policies, as well as public-private partnerships, designed to promote effective risk management strategies. Key priorities outlined in the report include: (1) an industry-wide organization dedicated to advancing cybersecurity throughout the electric power sector; (2) more efficient sharing of actionable information on cybersecurity threats; (3) development of improved response protocols for cyber and coordinated cyber-physical attacks; and (4) funding for analyses needed to identify and understand major sources of systemic risk from cyber attacks, including the

development of metrics against which to evaluate utility investments in cybersecurity.

The RMIM "homework" offers a good starting point for identifying and assessing cyber risk, as well as a first step toward embracing the recommendations set forth in the recently published cybersecurity report.

Have you completed your homework assignment?



NEW IAC MEMBER REPRESENTATIVE



Rich Stevens
Avista Corporation

An industry veteran never stops learning from his experiences.

Rich Stevens, the newest member of EIM's Insurance Advisory Committee (IAC), is a 35-year energy veteran with a wealth of experience working for Avista. He began serving as Director of Corporate Risk Management in 2000 and is currently in a temporary job swap with Avista's Director of Finance. Avista is a Washington-based utility with 3300 employees providing reliable and safe energy services to customers in the Pacific Northwest. About half of the employees are in the utility and half in subsidiaries.

Rich started with Avista as an accountant and began his career in their rotation program where he worked for two years in various positions. Rich quickly moved to an internal auditor position for five years, then became the head of that department for 12 years. He was involved in starting an energy trading company during that time, where he helped with processes to control risk in power and gas trading. During those 12 leadership years Rich started looking at how to manage risk and began his career in Risk Management. There was significant government oversight and regulation, Rich remembers, "It was trial-by-fire while my team and I were asking, 'How do we make this work best?'"

He became head of the Risk Management department/area of Avista at about the time that the 2000 western energy crisis struck. When the California Power Exchange went into bankruptcy he became

involved on the creditors committee and later the board of the reorganized CalPX. The energy crisis also spawned shareholder litigation, and his involvement with insurance companies grew much deeper. Challenges in the insurance market followed the challenges in the energy markets.

Rich has long felt that EIM promoted interesting seminar topics from which he could advance his industry knowledge so was pleasantly surprised when he was invited to be part of their IAC group, noting that, "It's quite an honor."

He hopes his new IAC affiliation will help him garner a better understanding of the mutual insurance industry and the challenges of running a utility with an insurance company as a financial backer, in addition to having more insight into new products like cyber coverage. He is excited to participate and to be exposed to the wealth of experience and expertise that comes with serving on EIM's IAC.

Like EIM, Avista isn't looking only at short-term, next-quarter goals, but also looks 30-50 years down the road with infrastructure and building a long-term legacy within the energy industry. It is this vision that has enabled Avista to celebrate its 125th anniversary in 2014.

When Rich isn't furthering the risk management efforts at Avista, he enjoys running, kayaking, snow skiing, helping his church, and volunteering for civic and community events.



NEW MEMBER REPRESENTATIVES



Jill Joswiak
Alliant Energy Corporation

Jill is Risk Manager with Alliant Energy Corporation and has been with them since 1992, where she began as a Senior Risk Analyst. Prior to her long career with Alliant she was a workers' comp claims manager for the State of Wisconsin, Department of Administration in Madison, WI.

Her scholastic accomplishments positioned her well for her career as she was a member of the Dairyland CPCU chapter in addition to earning a BBA in Risk Management and Finance at University of Wisconsin, Madison. Additionally, she holds ARM and CRIS designations.



Charles A. Mannix
Cleco Corporation

Charles is Cleco Corporation's VP - Tax and Treasurer. Before joining Cleco, Charles was Tax Manager at Conectiv/Delmarva Power & Light. From there he became Exelon Generation Company's Director of Taxes and Tax Planning. He then went on to be the Manager of Income Taxes for Ameren Corporation and Treasurer of Energy Risk Assurance Company.

Charles is a member of the Edison Electric Institute, and serves as Vice Chairs in both the Taxation & Accounting Section and Long Range Planning Committee with the American Bar Association, Section of Public Utility, Communication & Transportation. Charles' Bachelor of Science comes from Saint Joseph University in Philadelphia and his Juris Doctorate was earned at the Widener School of Law.



Phillip J. Lembo
Northeast Utilities

As VP and Treasurer of Northeast Utilities, Phil has been deeply immersed in utilities ever since he began his career with Boston Edison in 1983. Over his career, he has held several senior-level positions before being appointed to the VP/Treasurer role at Northeast Utilities.

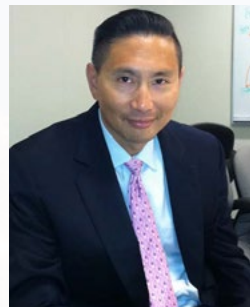
Phil holds a BA from Salem State University and earned his MBA from Boston University. He makes time in his busy schedule for his Board of Directors role with New England Disabled Sports, in addition to being the Assistant Treasurer and Board member with the Northeast Gas Association. Phil enjoys golfing, skiing and spending time with his wife Susan and family.



Ed Kendall
NiSource

As Director of Corporate Insurance with NiSource in Columbus, Ohio, Ed earned his title after working within NiSource as Director of Corporate Financial Planning and Analysis. Prior to joining NiSource he was Director of Shared Services with Navigator Management Partners and was the Controller for Wendy's International.

Ed earned his BS in Finance from Miami University and his MBA from Fisher College of Business. He's highly involved with charity work as President and Board Member of The Homeless Families Foundation.



Benjamin Zoe
Public Service Enterprise Group

Benjamin is Assistant Treasurer at the Public Service Enterprise Group, a position he has held for three years. His career started in 1988 when he became an engineer with ConEd in New York. From there he moved to Sanwa Bank as an associate in project finance and then made a move to First Energy Corporation where he was Manager of Corporate Planning and M&A.

Benjamin holds two degrees. He received his BE in Electrical Engineering from The Cooper Union School of Engineering and went on to complete his MBA in Finance and International Business from the Stern School of Business at New York University.



NEW MEMBER REPRESENTATIVES

Faith A. Williams

Santee Cooper

Faith has been with Santee Cooper since 2000, holding various positions in her 14 years with the company. Her experience runs deep with Santee Cooper, having worked in billing, rates, hedging, corporate analysis, investor relations, and risk management. Her current title is Administrator of Investor Relations and Risk Management.

Faith attended the University of South Carolina in Columbia, SC, and received a BS in Finance and a BS in Real Estate.

Anne F. Appleby

Oglethorpe Power Corporation

Anne is Vice President, Treasurer of Oglethorpe Power Corporation. Prior to beginning her career, she received her Bachelor of Arts degree from Wheaton College. Upon graduation she's had a long, distinguished career as a Vice President with JPMorgan, Barclays Bank, N.A., CoBank, N.A., and Bank of America where she was a Senior Vice President before joining Oglethorpe Power Corporation in 2000.

Additionally, Anne is 1st Past President in her 5th of 6 years with the G&T Accounting and Finance Association, and previously held a Series 52 certification for municipal securities.

Kim A. Watkins

Ohio Gas Company

Kim has spent his career in the gas and electric business, beginning four decades ago with Columbus & Southern Ohio Electric Company as an Accountant. Currently Kim is Treasurer and Corporate Secretary for Ohio Gas Company. Prior to his current role he was Controller for National Gas & Oil Corporation.

He went to Ashland University where he earned his B.S. in Business Administration and held the title of President for the Bryan Rotary Club.

Robert A. Dalley

Deseret Generation & Transmission Cooperative

Robert is Vice President and CFO of Deseret Generation & Transmission Cooperative. He holds a CPA and CLU license, is a member of AICPA and UACPA, and earned his B.S. in Accounting from Brigham Young University.

His career began with PacificCorp and Utah Power where he spent more than two decades in various roles, finalizing his time at Utah Power as Controller. From there he joined the Beneficial Life Insurance Company where he was SVP-CFO before assuming his current role at Deseret.

Paul W. Nester

RGC Resources, Inc.

Paul is Vice President, Treasurer and Chief Financial Officer of Roanoke Gas Company (RGC). Paul launched his finance career at Altria-Philip Morris USA, where he held numerous accounting and financial planning positions. Paul then joined Exelis as Manager of Finance. Preceding his career at RGC, he assumed the role of CFO at UXB International.

Paul received a Bachelor of Business Administration & Accounting at Radford University and his Masters of Business Administration from the University of Richmond. He's also a board member of Trust House and a council member at Radford University College of Business and Economics Advisory Council.



NEW MEMBER COMPANIES



Emera Incorporated

www.emera.com

Emera Inc. is a geographically diverse energy and services company headquartered in Halifax, Nova Scotia. The company invests in electricity generation, transmission and distribution, as well as gas transmission and utility energy services. Emera's strategy is focused on the transformation of the electricity industry to cleaner generation and the delivery of that clean energy to market. Emera has investments throughout northeastern North America, and in four Caribbean countries.

ONE Gas, Inc.

www.onegas.com

ONE Gas, Inc. is a natural gas distribution company and the successor to the company founded in 1906 as Oklahoma Natural Gas Company, and became ONEOK, Inc. in 1980. ONEOK spun off its three natural gas distribution companies in 2014 to create ONE Gas, one of the largest publicly traded, 100 percent-regulated natural gas utilities in the United States.

ONE Gas provides natural gas distribution services to more than two million customers in Oklahoma, Kansas and Texas. Headquartered in Tulsa, Okla., its companies include the largest natural gas distributor (by customers) in Oklahoma and Kansas, and the third largest in Texas.



NEW EIM EMPLOYEES



Bryan Oliff joined Energy Insurance Mutual as a senior underwriter on May 1, 2014.

Prior to joining EIM, Bryan worked for Pennsylvania Lumbermens Mutual Insurance Company in Tampa as a field underwriter and for CNA Insurance as a marketing underwriter in the Florida branch. His property and casualty experience includes middle market and large deductible programs.

Bryan completed his bachelor's degree in 2001 at Florida State University. He continued his business studies by obtaining an MBA from Florida Atlantic University in 2005. Bryan holds a 2-20 property and casualty license and has earned the Associate in Risk Management (ARM) and Commercial Lines Coverage Specialist underwriting designation (CLCS).

Bryan is a Florida native and a die-hard Florida State Seminole fan. In addition to cheering on his Noles he is working towards completing the Chartered Property Casualty Underwriter designation.



Daniel Nelson began at EIM in September 2013 as an in-house Systems Developer.

Daniel's background is varied and interesting, but has always related to the understanding of data systems software. He started in the military and received the Army Commendation Medal for building a procurement system that cut a repetitive monthly process from two weeks to one day, saving 13 days monthly. He has worked in various insurance companies, including Met Life, as well as a document imaging and management company designing software.

As a Microsoft Certified Professional, Daniel has over 20 years experience developing several applications, from medical billing systems to broker commission management systems.

Prior to joining EIM, Daniel was with JCIII & Associates, a small mortgage due diligence company where he developed their mortgage auditing system that grew from 30 to 400 users over his 10 year tenure there.

When he isn't making systems more efficient and effective, he enjoys fishing with his son and gardening with his wife.



Katie Schultz joined EIM in December of 2013 as the Assistant Office Administrator.

In addition to her duties as Assistant Office Administrator, Katie is the receptionist, helps with claims, special projects, and has been part of EIM's team building committee.

"I'm lucky to have stumbled into this job" says Katie who was previously at Whole Foods in both customer service and accounting.

A graduate of the University of South Florida, she holds a bachelor degree in Psychology and is considering a masters degree in Gerontology, indicative of Katie's varied interests and drive.

Katie is a Florida native and when not in the office, she loves the outdoors and the water: floating down the Rainbow River, skiing on a lake or being at the beach.



GIVING BACK

EIM's Team Building Committee organized a first quarter event to help the Children's Cancer Center of Tampa. EIM spent two hours writing the names and ages of children battling cancer on kites, which were then taken to Carrollwood Day School for a fundraiser. The kites were sold for \$10 each, raising \$3,500 for the Children's Cancer Center.



Q1 2014 FINANCIAL REPORT

Balance Sheets

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

	<u>3/31/14</u>	<u>12/31/13</u>
Assets		
Investments	\$1,306,746	\$1,291,014
Cash and cash equivalents	75,887	80,824
Reinsurance paid in advance	33,938	44,085
Insurance balances receivable	4,261	4,794
Reinsurance recoverable on unpaid losses and IBNR	387,393	397,758
Other assets	46,164	32,791
Total assets	<u>\$1,854,389</u>	<u>\$1,851,266</u>
Liabilities and Policyholders' surplus		
Liabilities:		
Reserves for losses and lae	\$767,116	\$721,942
Unearned premiums	79,756	112,223
Reinsurance balances payable	39,051	39,578
Deferred income tax	9,180	10,278
Accrued expenses	64,094	57,569
Policyholder distributions payable	-	20,000
Total liabilities	<u>959,197</u>	<u>961,590</u>
Policyholders' surplus:		
Members' account balance	739,545	747,145
Accumulated other comprehensive income	155,647	142,531
Total policyholders' surplus	<u>895,192</u>	<u>889,676</u>
Total liabilities and policyholders' surplus	<u>\$1,854,389</u>	<u>\$1,851,266</u>

Statements of Income and Comprehensive Income

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

	<u>3/31/14</u>	<u>3/31/13</u>
Underwriting income		
Net premiums earned	\$31,961	\$27,988
Ceding commission	758	673
Total underwriting income	<u>32,719</u>	<u>28,661</u>
Underwriting expenses		
Net losses and loss adjustment expenses	58,191	14,559
Policy acquisition costs	572	485
Administrative expenses	3,339	4,651
Total underwriting expenses	<u>62,102</u>	<u>19,695</u>
(Loss) income from underwriting	(29,383)	8,966
Investment income	16,149	32,273
(Loss) income before policyholders' distribution	(13,234)	41,239
Policyholders' distributions	-	18,000
(Loss) income before income taxes	(13,234)	23,239
Federal income tax (benefit) expense	(5,633)	4,784
Net (loss) income	(\$7,601)	\$18,455
Other comprehensive income		
Change in unrealized gain on securities, net	13,116	544
Comprehensive income	<u>\$5,515</u>	<u>\$18,999</u>

EIM's Members Report is electronically published four times per year. Comments, questions, and suggested subjects from members are sincerely welcomed.

Energy Insurance Mutual Limited

Bayport Plaza, Suite 550, 3000 Bayport Drive Tampa, FL 33607-8418

1-800-446-2270 813-287-2117 Fax:813-874-2523

■ www.eimltd.com ■

