

## Drones: Taking Flight in the Energy Industry

*The use of drones and the attendant questions surrounding air safety, privacy and security have been a frequent topic of discussion for U.S. businesses, including electric and gas utilities.*

While many are familiar with the use of drones or Unmanned Aircraft Systems (UAS) in the context of military engagements, recent actions by the Federal Aviation Administration (FAA) have opened the door to commercial and private-sector drone use including recent activities within the energy industry.

In February 2015, the FAA proposed new rules that would allow routine use of UAS in today's aviation system. The FAA proposal would provide safety rules for small UAS (under 55 pounds) conducting daylight, non-recreational operations. Also included in the proposed rules is a more flexible framework for "micro" UAS under 4.4 pounds. While the proposed rules would require an operator to

maintain a visual line of sight of the small UAS, the FAA is seeking comment on whether the rules should permit operations beyond line of sight. Operators of UAS would have to be at least 17 years old, pass an aeronautical knowledge test, and obtain an FAA UAS operator certificate.

The rules also propose operating limitations that would minimize risks to other aircraft as well as people and property on the ground. The limitations include:

- A small UAS operator must always see and avoid manned aircraft
- The operator must discontinue the flight when continuing would pose a hazard to other aircraft, people, or property
- A small UAS operator must assess weather conditions, airspace restrictions, and the location of people to lessen risks if he/she loses control of the UAS
- A small UAS may not fly over people, except those directly involved with the flight

*(Continued on page 2)*



**New Board Member**  
pages 3-4



**ECM Update**  
page 5

## IAC

**Task Force Updates**  
page 6



**RMIM FOLLOW UP**  
page 7



**New Member Reps and Companies**  
pages 8-10



**New EIM Employees**  
page 11



**Q1 2015 Financial Report**  
page 12

(Continued from cover)

- Flights would be limited to 500 feet altitude and no faster than 100 mph
- Operators must stay out of airport flight paths and restricted airspace areas

While current FAA unmanned aircraft rules remain in effect until the FAA finalizes the proposed rules (companies are required to file a petition for a Section 333 exemption under the FAA Modernization and Reform Act of 2012), the potential uses of UAS within the energy industry are readily apparent. With transmission and distribution systems that can extend for hundreds of miles, generation sites that can comprise many acres or stand hundreds of feet tall, and oil spills or wildfire events that can extend for miles and encompass thousands of acres, drones offer an efficient, cost-effective way to monitor assets, identify potential problems, and remediate critical infrastructure.

Pipeline safety checks, currently carried out on foot or by helicopter fly-overs, could be conducted by UAS. Moreover, oil pipelines could be monitored for hot spots that indicate structural weaknesses. In fact, in 2014, BP received permission from the FAA (pursuant to the Certificate of Waiver or Authorization process) to use drones to inspect its Alaskan pipelines.

Similarly, photovoltaic solar installations could be examined via UAS for malfunctioning panels (which generate a distinctive heat signature as they fail and must be repaired or replaced as soon as possible to sustain high performance at the site), eliminating the

need for time consuming panel-to-panel inspection. Even wind turbines could be inspected for cracks using drones.

In 2014, San Diego Gas & Electric® (SDG&E®) was the first utility in the nation to receive an experimental certificate from the FAA which provided limited permission to use UAS in lightly populated airspace in eastern San Diego County. Less than a year later, SDG&E® received FAA approval to conduct UAS operations throughout its territory. In addition to helping monitor SDG&E's® more than 26,000 miles of transmission and distribution lines, the company anticipated that the drones, which can measure less than 20 inches in diameter and weigh less than a pound, could assist in emergency response, quickly assessing damage and directing repair crews to damaged transmission or distribution lines, as well as tracking and containing wildfire activity.

Benefits associated with UAS use relate as much to data gathering as preventative maintenance. Large scale construction projects, along with daily operation of generation, transmission or distribution systems can be easily monitored by UAS while essential data is captured, recorded, and stored for future use. In addition, drones are unmanned, reducing the risk associated with personal injury and property damage. Often less than ten pounds, UAS offer reduced risk of first-party and third-party property damage in the event of malfunction. The use of drones will not be unfettered. In addition to

the "visual line of sight" limitation included in the current FAA proposed rules requiring operators to maintain sight of the UAS, there are risk management considerations that must be addressed before drones are put into operations. These considerations include potential invasion of privacy claims and third-party liability arising from the operation of the UAS, along with potential property damage and personal injury.

While still in its infancy, drones offer an opportunity for the energy industry to reduce operational costs, respond more effectively to emergent events, and better comply with federal and state regulations. Those who find ways to capitalize on the technological advances offered by UAS will undoubtedly make significant strides in reducing cost, enhancing safety, and more comprehensively monitoring day-to-day operations.

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# New EIM Board Member – Brian Tierney

*Brian Tierney, Executive Vice President and Chief Financial Officer of American Electric Power Co., Inc. (AEP), is the newest member of the Energy Insurance Mutual Limited (EIM) board of directors, elected at the May 2015 Annual General Meeting.*

AEP is a founding member of EIM and Brian's board service reflects a long-standing history of collaboration and support between AEP and EIM. AEP, one of the largest electrical utilities in the United States, delivers electricity to more than 5 million customers in 11 states.

Brian was raised in Bethesda, Maryland before he attended Boston College, earning a degree in History. He considered a career in law before joining the United States Peace Corps where he served in a remote region of the Philippines and worked in water and sanitation. When he returned from service, he entered the work force in sales for General Foods USA in New England. He and his wife then moved to Chicago where he received his MBA from the University of Chicago with concentrations in Finance and Accounting. After graduate school, Brian was "looking for an industry in flux" because he believed that entering into a field which was evolving would enable him to learn as it changed and earn invaluable experience. The energy industry provided that perfect opportunity.

Brian was employed at Enron Capital & Trade Resources in Houston, Texas from 1995 through May of 1998 where he structured energy transactions and traded coal and electricity. When he joined AEP in 1998, he had the opportunity to move to Columbus, Ohio to

manage real time trading, transaction structuring, and market operations. He subsequently led the wholesale trading and marketing organization and was responsible for AEP's eastern utilities before he transitioned in 2009 into his current position as Chief Financial Officer. Brian is married with four daughters and lives in Columbus, Ohio. He spends his time reading, exercising, playing golf, and is an Ohio State Buckeyes fan.

We asked Brian for his perspective on the industry and EIM!

## **What are the most pressing issues facing the energy industry today?**

There are so many things happening that it's an incredibly fascinating place to be working today. Whether it's distributed generation, renewables like wind and solar, the aging infrastructure, the status of the electricity grid, or environmental regulations that are in place and those coming down the pipeline—the issues are just tremendous. I think the amount of change we've seen in the last 20 years is going to be just as rapid in the next 20 years. It's exciting stuff and energy is what drives the country's growth. We have an opportunity to get it right, to competitively place our country even further ahead of our international competitors, but we also have the risk of not getting it right and setting ourselves back. That means



*Brian Tierney, Executive Vice President and Chief Financial Officer of American Electric Power Co., Inc.*

that really thoughtful people need to use data, history, and experience to do everything they can to get energy policy right. I think this industry has those smart people to seize the opportunity. Because what we do is so vital to growing as a civilized society, there are a lot of stakeholders — regulators, NGOs, the environmental community, and industry — that should have a lot of input and we need to come to an agreement on how we're going to move forward.

## **How do these issues affect EIM/How does EIM affect these issues?**

As an insurer, the issues of the industry affect the type of claims that come before EIM. Whether it's Directors and Officers or other lines of insurance that EIM writes, these issues are so integral to what the industry faces that it's certainly going to impact the nature and size of claims

*(Continued on p.4)*



# Brian Tierney

*(Continued from p.3)*

that come before EIM. That being said, with the enterprise-wide risk management that Scott Goodell and his staff have put together, I believe EIM is very well-positioned for the changes that are going to come about.

## **What keeps risk managers up at night?**

Cybersecurity, interest rates, and physical security are all big issues in our industry. The issue of how adversaries might attack the integrity of our power grid or our power supply is increasingly becoming a matter of concern for us. In addition to traditional things such as price volatility or trading risk management, you can now add concerns such as terrorism, an aging infrastructure, and rapidly changing environmental regulations, plus cyberattacks from all over the world. There's plenty to keep a risk manager up at night and our industry is at the forefront of trying to address those issues. The country looks to us to be incredibly diligent in our cybersecurity and our physical security. I think it would be foolish to say we've got it covered in that regard but I'd say we're working awfully hard and putting a lot of resources against those issues. Again, we've got really smart people spending a lot of time thinking about how to keep us safe and our people protected. If we do our jobs right, we will protect the grid, our people, and the public.

## **What do you see as EIM's role in helping Member Companies meet today's industry challenges?**

Being a sound insurer is EIM's goal. To remain a highly rated insurer ready to back its commitments means, first and foremost, helping its members meet their

challenges. Secondly, what EIM is doing in their enterprise-wide risk management should inform the industry since it is so forward-looking. EIM is in a unique position to explain the types of risks that it's insuring, and engage in dialogue with Member Companies; this can help them mitigate those risks, not only so they can understand a potential claim, but so that a claim never comes before them. Since EIM is a mutual company owned by its Members, they are better positioned than just about anyone in the industry to help share those risks and talk about them.

## **Where do you see EIM headed in the next 3-5 years?**

The changing energy landscape lies before them. Again, as a highly rated, effective insurer with an incredibly effective enterprise-wide risk management system, I think they are very well-positioned to handle that rapidly changing environment and help their member companies mitigate and manage those risks as well. The future is very bright for EIM.

## **What contributions to your community or milestones are you most proud of?**

On a professional level, the safety record of AEP is something that we've been very proud of because management has been focused on that a lot. We talk a lot about the protection of our employees in this industry where the product that we generate and transport is very dangerous if not handled properly. We're proud of our safety record but we're always striving to do better in that regard - our work is never done. I'm also proud of what

we've done at AEP on behalf of our customers - keeping prices as low as we have. The returns we've been able to provide to our shareholders and those that make capital available to us all benefit our customers. I'm proud of what the team here at AEP has been able to achieve in that regard.

On the personal side, I am involved in the community with issues related to hunger and education. Those are things which my family focuses on and it's where we put our time and treasure. I'm on the board of Life Care Alliance here in Columbus which among other things provides about 5,000 Meals on Wheels every day to the elderly and chronically ill in the community. These people would otherwise be institutionalized rather than staying in their homes where they can live longer and have more productive lives.

The other area of focus is education. I think that's how people better themselves and it's how they can better their communities by building up their human capital through education, then reinvesting that capital back into the communities where they live. I served on the Board of Trustees at the Mount Carmel College of Nursing and had a proud association with them for 9 years. They're doing fantastic work in the community, educating nurses who then invest their skills and education back into the community. Those graduates are people that I'm proud of for what they're doing to make our community a better place to live. We need that type of expertise and dedication.

## Energy Captive Management – Up and Running in Charleston, S.C.

*Energy Captive Management, LLC (ECM), formed as a subsidiary of EIM in January 2015, is well on its way to establishing its roots in Charleston, South Carolina.*

Tobias Burke, ECM's Vice President and Chief Accounting Officer, and Jeff Tkacz, ECM's Controller, have been working diligently with USA Risk (South) to complete the handoff of administrative responsibilities for EIS protected cell participants. The transition is on schedule and will be completed by the end of July 2015.

As part of the transition process, ECM secured office space at 409 King Street in Charleston, South Carolina and moved in on May 15th. In addition, ECM has added senior accountant Kimberly Jenkins to its staff. Kimberly will provide accounting support for the monthly, quarterly, and annual reports prepared by ECM for cell participants.

In addition to establishing its new office and completing staffing, ECM has begun integrating accounting and policy systems using a custom-designed module of EIM's proprietary EPIC system that tracks premium, reinsurance, and other cell activities. Augmenting the EPIC system will be the newly installed SAGE general ledger software that will enhance the reporting ECM provides to cell participants.

Parallel processing with USA Risk (South) has been underway since April and will continue until the formal cutoff date of July 31 is reached. USA Risk has been an



ECM staff, from left to right: Jeff Tkacz, Kimberly Jenkins, Rob Schmid, Tobias Burke

exceptional partner, enabling EIS to reach the point where self-management was a realistic option and then continuing to work closely with ECM on the transition process.

ECM is committed to a smooth and seamless transition that will provide EIS cell participants with more frequent, more readily accessible, and more detailed reporting on their EIS programs..

*Inquiries regarding ECM can be directed to Tobias Burke at [tburke@energycaptives.com](mailto:tburke@energycaptives.com).*



# Insurance Advisory Committee

## Task Force Updates

*The Insurance Advisory Committee (IAC) task forces have been very active this year.*

*Below, each task force chairperson provides a brief update on activities undertaken to date in 2015.*

### Cyber Liability

*Jerry Rhoades, Chair*

We continue to see an increase in the frequency of data breaches. Thus far in 2015, over 300 breaches involving in excess of 100 million records have been reported including a mega-breach of 80 million records involving Anthem. Cost associated with data breaches continues to grow. The Ponemon Institute's 2014 global cost of data breach study estimated the average cost increased 15% in 2014.

Lloyd's has seen a 50% year-over-year increase in cyber applications during the first quarter of 2015. Within the energy sector an increasing number of risk managers are seeking quotes for cyber liability coverage as they consider adding this coverage to their insurance portfolios.

A number of cyber liability products are available in the marketplace, including coverages that provide first-party as well as third-party protection. While originally differentiated, either by underwriting requirements or coverage terms, cyber products are slowly moving toward a more uniform, consistent product that represents



underwriters' better understanding of the risk and greater appreciation of policyholder coverage needs. We expect continued increases in cyber liability purchases, both in terms of the number of first time buyers, as well as existing buyers seeking larger limits.

### Emerging Risk

*Mark Webster, Chair*

The emerging risk task force continues to monitor developments on private sector use of drones in commercial enterprises, particularly as it relates to the utility industry. While the Federal Aviation Administration (FAA) has proposed new rules on the regulation of private drone flights, a Section 333 exemption is currently required for operators who wish to pursue safe and legal entry into the national airspace system. While the FAA proposed rules are a step forward for private companies, the rulemaking process can be time consuming. We expect the utility industry to increasingly utilize drones in the future. ISO recently issued Limited Coverage for Unmanned Aircraft endorsements for the commercial general liability forms to be released as early as June 1st. Companies who plan to use, or allow others to use, drones for the company's needs, should consider



confirming unmanned aircraft (drone) liability coverages.

The emerging risk task force also recently assumed monitoring responsibility for wildfire risk. While California wildfires have been the focal point for utilities over the last eight years, the task force has seen increased frequency of plaintiffs' counsel attempting to expand the California "inverse condemnation" theory of recovery in other states, including New Mexico, Texas, and Utah. To date, the courts outside of California have rejected this theory of liability, but the expectation is the plaintiff's bar will continue to press the issue. Should new theories of recovery receive acceptance in jurisdictions outside California, the task force will consider the potential impact to EIM and will work with EIM senior management to determine what, if any, remedial steps need to be taken.

### TRIPRA

*Jeremy Stephens, Chair*

With the January 2015 passage of the Terrorism Risk Insurance Program Reauthorization Act of 2015 (TRIPRA), the TRIPRA task force functioned in an advisory capacity reviewing the EIM endorsement reflecting the 2015 terrorism extension. The new endorsement is complete and the task force has been disbanded.



*(Continued on p.7)*

# Insurance Advisory Committee

(Continued from p.6)

## Pollution

Edsel Carlson, Chair

The Pollution task force was formed to evaluate EIM's current pollution coverage, and to canvas the membership regarding the need for possible expansion of pollution protection. The task force has circulated a survey to members inquiring about coverage needs on the pollution front, and assessing possible demand for expanded coverage. Survey results will be communicated to respondents as soon as they are compiled.

The Pollution task force will solicit input from the IAC and EIM at the June IAC meeting, review survey results and consider possible changes to EIM's pollution coverage and further education opportunities for members on pollution coverage issues.



## IAC Survey

Rich Stevens, Chair

The IAC Survey task force is evaluating the subject matter and means to conduct the Member Satisfaction Survey at the February 2016 Risk Managers Information Meeting. The survey will be conducted during the business session to gain information and trends from attendees.

The IAC task forces continue to address emerging and ongoing Member Company coverage needs. Should you have any questions or wish to provide additional information on any of the above task force updates or any emerging issues, please feel free to contact me or your IAC representative.



Questions or comments on the IAC  
can be addressed to Randy Martin at  
[rlmartin@aep.com](mailto:rlmartin@aep.com)



# RMIM FOLLOW UP

## 2015 Risk Managers Information Meeting – A Winning Conference

*Feedback from the February 2015 Risk Managers Information Meeting (RMIM) was very positive with 100% of responding attendees rating the overall conference as meeting or exceeding expectations.*

Over 98% of respondents reported that the EIM company overview met or exceeded their expectations, while the outside speakers, Robyn Benincasa, Governor Tom Ridge and Howard Schmidt recorded 100% approval ratings.

For those still traveling on the adventure described by Robyn, her TEAMWORK acronym is worth revisiting as we move through the year:

### TEAMWORK

- Total Commitment
- Empathy and Awareness
- Adversity Management
- Mutual Respect
- "We" Thinking
- Ownership of the Project
- Relinquishment of Ego
- Kinetic Leadership



Robyn Benincasa

And don't forget to grab a tow line from time to time during your journey!

EIM is gearing up to host the 2016 RMIM which will celebrate EIM's 30 years of service to the energy industry. The 2016 conference will take place at the Omni Resort at ChampionsGate in Orlando from February 21-23, 2016, so mark your calendars.

We're looking forward to seeing you in Orlando!



# NEW MEMBER COMPANIES

## Empire Generating Co. [www.empiregen.com](http://www.empiregen.com)

Empire Generating Co, LLC (EGC) specializes in the generation and sale of natural gas fired electricity in New York State. Formerly known as Besicorp-Empire Power Company, LLC until October 2007, it is the owner of a combined cycle, natural gas fired plant based in Rensselaer, New York with a seasonal weighed capacity of 645 megawatts.

As one of the first projects accepted into the state's voluntary Brownfield Cleanup Program (BCP), the company's initiatives provide environmental benefits to the community. The program encourages developers to invest resources in the remediation and redeployment of existing non-productive sites.

EGC has also implemented a Community Liaison Program (CLP) to help streamline communication with surrounding communities and stakeholders regarding project construction and operation.

## Southern Star Central Gas Pipeline, Inc. [www.sscgp.com](http://www.sscgp.com)

Southern Star Central Gas Pipeline, Inc. is a leading transporter of natural gas to America's Midwest and Mid-Continent regions. It has provided over 100 years of continuous, quality service since its formation in 1904, and currently operates almost 6,000 miles of natural gas transmission pipeline and natural gas storage in Missouri, Kansas, Oklahoma, Wyoming, Colorado, Nebraska, and Texas. Southern Star is headquartered in Owensboro, Kentucky and services major metropolitan areas including Kansas City, Springfield, Joplin, St. Louis, Wichita and Topeka.

SSCGP prides itself on its reputation for safe, reliable and compliant service and its commitment to its employees and communities through which it operates.





# NEW MEMBER REPRESENTATIVES



**Ellen Connor**

Tri-State Generation

Ellen joins EIM as a Member Representative on behalf of Tri-State Generation where she has held various positions since 1982 and currently serves as Senior Vice President and Chief Technology Officer.

Ellen attended the University of Phoenix where she graduated in 1994 with BS and BA degrees.



**Gaetan Frotte**

NRG Yield, Inc.

Gaetan is the Senior Vice President of Finance & Strategy at NRG Yield, Inc. based in Princeton, New Jersey. Since 2006, he has held several positions at NRG Energy, including Director and Vice President Assistant - Treasurer. Before NRG Yield, Inc. Gaetan spent time as Associate in Technology in New Venture Group and Manager/Director in Reliant Energy, Inc. Treasury Group, and as Chief Financial Officer at Questel-Orbit, Inc.

He was born in Paris, France but currently lives in Princeton, New Jersey. He and his wife Nadege have one son and one daughter.

Gaetan earned his BA from Institut Supérieur du Commerce in 1993 before graduating with his MBA from the University of Virginia's Darden Graduate School of Business in 1999.



**Jodi Caro**

Integrus Energy Group

Jodi currently serves as Vice President, General Counsel, Secretary, and Chief Compliance and Ethics Officer for Integrus Energy Group. Prior to joining Integrus as Vice President, Legal Services in 2008, Jodi was engaged in private practice, providing general counsel and corporate transactional services. Before that, she was Co-Founder and General Counsel of Looking Glass Networks, Inc. and served as an in-house attorney with MCI/WORLDCOM.

She received her BA from Marquette University and her law degree from Chicago-Kent College of Law. She is admitted to the Illinois Bar and Federal Bar and is a member of the American, Chicago, Illinois, and Energy bar associations.

Jodi has worked in the Chicago area since 1982 and now lives in Naperville, Illinois with her husband and daughter. She is a member, past president, and supporter of the not-for-profit PKU Organization of Illinois and is actively involved with organizations such as the Chicago Youth Programs, Governance Committee for Communities in Schools of Chicago, The Chicago Network, and The Executives Club of Chicago.

# NEW MEMBER REPRESENTATIVES



**Gayle Hobbs**

Southern Star Central Corp.

Gayle currently serves as General Counsel & Corporate Secretary of Southern Star Central Corp. in Owensboro, Kentucky. Before her current position, she was Director, Organizational Management & Administration & Sr. Attorney with Southern Star Central Gas Pipeline, Inc. (SSCGP) and its Manager, Human Resources & Sr. Attorney. Prior to her tenure at SSCGP, Gayle was an attorney at The Williams Companies and Texas Gas Transmission Corporation, both in Kentucky.

She was born and lives in Kentucky with her husband. Her daughter and son-in-law are also in Kentucky. Gayle has served on several local, nonprofit boards such as Girls Inc., Downtown Owensboro, Inc., as President of the Owensboro Arts Council, and Vice President of the Owensboro Area Museum of Science & History.

Gayle attended the University of Kentucky where she earned her BA before receiving her Juris Doctorate from the University of Louisville. She holds a Certification in Dispute Resolution (ADA) and is a member of the American and Kentucky Bar Associations, along with the Energy Bar Association.



**John Laws**

Enable Midstream Partners, LP

John was named Vice President and Treasurer of Enable Midstream Partners, LP in 2013. Before his current position, John served as Vice President of Planning and Development, and previously was Managing Director of Finance at Enogex, LLC and Director of Corporate Development at OGE Energy Corp.

He attended the University of Oklahoma where he received his BBA in 1998 before earning his MBA from the University of Texas in 2006.

John was born in Oklahoma and now lives in Oklahoma City with his wife Jennifer and their three children. He served in the United States Marine Corps Reserves from 1992 to 1998. He has volunteered his time with several charitable organizations such as the John Marshall H.S. Academy of Finance Advisory Board, Habitat for Humanity, Regional Food Bank of Oklahoma, and the Infant Crisis Center.



**Stephanie Vazquez**

Santee Cooper

Stephanie has been a Financial Analyst with Santee Cooper in Moncks Corner, South Carolina since 2003. Prior to that, she worked for AVX Corporation as a Corporate Accountant.

Stephanie received her BS in Business Administration from Coastal Carolina University in Conway, South Carolina and her MBA from Winthrop University in Rock Hill, South Carolina. She is a member of the Palmetto RIMS organization.

Born in Conway, South Carolina, Stephanie still resides in her home state with husband Robert and their twins.



## NEW EIM EMPLOYEES



**Tobias Burke became CAO of ECM in early 2015.**

Tobias became the Chief Accounting Officer (CAO) at Energy Captive Management, LLC, the new EIM subsidiary and moved to Charleston, South Carolina in early 2015, after working with USA Risk (South) since 2006. While at USA Risk, he worked closely with EIS, developing strong working relationships with EIS protected cell participants. Tobias entered into the alternative insurance market in 1985 when he went to work for AIG in NYC. Prior to that, he earned a BA in English from Columbia University and an MBA in Public Accounting from St. John's University, New York.

Tobias and his wife Jane are native New Yorkers. They have three daughters who live and work in New York and Virginia. His hobby is reading and he is an avid sports fan. He enjoys the complexity of the claims and coverages issues that come to the fore while working with EIS members and he looks forward to working with the broader EIM membership as they refine alternative risk approaches to the evolving insurance marketplace.



**Jeff Tkacz joined ECM as the controller in January 2015.**

Jeff was born in Enfield, Connecticut and attended Babson College in Wellesley, Massachusetts where he earned his degree in Business Administration with a concentration in Accounting. After college, Jeff obtained his CPA designation while working in Hartford, Connecticut with KPMG. In 2008, Jeff moved to Charleston, South Carolina to join Johnson Lambert LLP. While at Johnson Lambert, Jeff provided oversight to the Charleston office and was the Senior Manager on the audit team assigned to Energy Insurance Services, Inc. He joined Energy Captive Management, LLC, an EIM subsidiary, as Controller in January 2015.

He is excited to become a part of EIM and sees it as a great opportunity to work in an ever-evolving industry. He takes comfort in knowing the energy industry will always be around since "everyone needs their lights on" and is intrigued by the balance between renewable sources of energy, politics, and changes in technology.

Jeff is married with a son and a daughter. He enjoys sports, the outdoors (especially the beach), traveling, and spending time with family.

## Giving Back

### EIM Barnes & Noble Gift Card Donation

When EIM purchased a large number of Barnes & Noble Nook e-readers to give away at their annual Risk Managers Information Meeting, they had no idea it would lead to helping improve literacy among the at-risk youth in the Tampa Bay Area. The Nooks (small, portable electronic tablets for easy reading on-the-go) were distributed to risk managers in attendance at the meeting in Orlando, Florida, not only as tokens of the company's appreciation of their hard work and commitment, but also in recognition of the fact that everyone should have access to a popular pastime and method of self-improvement: reading.

At the time the handheld e-readers were purchased, Barnes & Noble was participating in a joint effort with the Boys & Girls Clubs of Tampa Bay to fill the shelves with books at 19 newly opened reading rooms in the area owned and operated by the nonprofit organization. Jane Murphy, Office Manager and Event Planner at EIM, was asked if, instead of the company receiving the gift cards awarded for purchasing the Nooks, they would like to donate the resources to help fund the reading rooms. EIM quickly accepted the opportunity to give back to the community.

The Boys & Girls Clubs of America is a national organization which enables young people, particularly those deemed "at-risk", to reach their full potential by participating in programs and resources such as after-school care, mentorships, workshops, sports and recreational activities, and educational support such as the reading rooms.

About the donation, Jane remarked, "It makes you feel good to be helping the community and to see the impact firsthand."

EIM participates in various other philanthropic efforts year-round such as making meals at Dinner Done to donate at the Ronald McDonald House, donating backpacks and school supplies to Metropolitan Ministries, and collecting teddy bears for Tampa Rough Riders' Teddy Bear Roundup.

# Q1 2015 FINANCIAL REPORT

## Balance Sheets

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

	3/31/15	12/31/14
<b>Assets</b>		
Investments	\$1,463,321	\$1,464,646
Cash and cash equivalents	76,928	88,557
Reinsurance paid in advance	31,857	40,223
Insurance balances receivable	1,114	6,009
Reinsurance recoverable on unpaid losses and IBNR	302,379	330,874
Other assets	23,303	11,880
Total assets	<u>\$1,898,902</u>	<u>\$1,942,189</u>
<b>Liabilities and Policyholders' Surplus</b>		
Reserves for losses and lae	\$684,554	\$712,316
Unearned premiums	75,700	114,216
Reinsurance balances payable	27,123	31,491
Accrued expenses	10,530	15,710
Deferred income tax liability	80,671	76,900
Income taxes payable	17,064	13,256
Borrowings on line of credit	13,800	-
Policyholder distributions payable	-	20,000
Total liabilities	<u>909,442</u>	<u>983,889</u>
Members' account balance	806,641	780,897
Accumulated other comprehensive income	182,819	177,403
Total policyholders' surplus	<u>989,460</u>	<u>958,300</u>
Total liabilities and policyholders' surplus	<u>\$1,898,902</u>	<u>\$1,942,189</u>

## Statements of Income and Comprehensive Income

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

	3/31/15	3/31/14
<b>Underwriting Income</b>		
Net premiums earned	\$34,145	\$31,961
Other underwriting income	557	758
Total underwriting income	<u>34,702</u>	<u>32,719</u>
<b>Underwriting Expense</b>		
Net losses and loss adjustment expenses	4,021	58,191
Policy acquisition costs	440	572
Administrative expenses	3,209	3,339
Total underwriting expenses	<u>7,670</u>	<u>62,102</u>
Income (loss) from underwriting	<u>27,032</u>	<u>(29,383)</u>
Investment income	<u>12,212</u>	<u>16,149</u>
Income (loss) before policyholders' distribution	<u>39,244</u>	<u>(13,234)</u>
Policyholders' distributions	-	-
Income (loss) before income taxes	<u>39,244</u>	<u>(13,234)</u>
Income tax expense (benefit)	<u>13,500</u>	<u>(5,633)</u>
Net income (loss)	<u>25,744</u>	<u>(7,601)</u>
Other comprehensive income	<u>5,416</u>	<u>13,116</u>
Comprehensive income	<u>\$31,160</u>	<u>\$5,515</u>

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

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