

EIM is now entering the third year of a three-year strategic plan. A strong start in 2014 saw surplus rise 8% to \$958 million, a net loss ratio of 68%, and an investment return of 7%.

In 2015, however, EIM experienced a volatile investment market and significant loss activity. This dampened both investment and underwriting performance. The projected 2015 net loss ratio of 100% exceeds our targeted 90% net loss ratio while forecasted investment return at 2.3% will be below our budget of 4%. Despite these challenges, EIM continued to grow surplus by 3%, reaching \$983 million.

Overall, the first two years of the plan reflected solid performance and growth. In fact, the original three-year plan called for EIM surplus to reach \$964 million by the end of 2016. With the strong financial performance experienced in 2014, and the surplus growth delivered in 2015, EIM has adjusted its projected 2016 surplus from \$964 million to just over \$1 billion. The following chart highlights the key benchmarks comprising EIM's three-year strategic plan.

	2014 Actual	2015 Forecast	2016 Projected
Surplus (millions)	\$958	\$983	\$1,008
Net Loss Ratio	68%	100%	90%
Net Premium	\$133	\$137	\$139
Investment Return	7%	2.3%	4%
Net Expense Ratio	8%	7%	9%
3-Year Avg. Surplus Growth	23%	4%	4%
Risk Capacity	127%	100%	100%

The Outlook for 2016

For 2016, EIM has targeted a net loss ratio of 90%, an investment return of 4%, and a net premium growth of approximately 3%. If these

benchmarks are met, surplus will grow by 4%, and EIM's risk capacity (the ability to withstand a 1:200TVaR event and still maintain an "A" rating from A.M. Best) will be at or slightly above 100%.

In support of these benchmarks, EIM prepares a yearly business plan that highlights four key drivers of success: member focus, financial, business process and people. Member focus is the cornerstone of EIM's business platform, highlighting the company's commitment to its Member Companies. Financial stability and long-term commitment are essential to our vision and mission, enabling the company to provide meaningful excess of loss insurance coverage and timely claim payments.

In terms of business platform, EIM runs a streamlined business that capitalizes on technology and operating efficiencies. This provides a competitive advantage that translates expense savings to a better return on investment for Members. With regard to people, the focus on personal and professional development enables EIM to identify, hire, and retain qualified professionals who contribute to our ongoing success on a daily basis.

Member Focus

EIM is committed to continually strengthening Member Company relationships on a number of levels. First, superior underwriting and claims services remain the hallmarks of EIM's existence. Second, "Mutual Advantage" meetings, where EIM senior managers meet with Member Company risk managers and senior executives, will be ongoing in 2016. EIM will also continue the regular dialogue with the Insurance Advisory Committee, gathering feedback on operational, underwriting, and claims performance, as well as identifying emerging risk management issues. Finally, EIM will continue to seek

new Member Company opportunities with energy and energy services organizations that share risk profiles consistent with EIM's portfolio of business.

Financial

From a financial perspective, EIM remains committed to maintaining a stable financial platform and to retaining sufficient capital to underwrite the general liability, D&O, fiduciary and property policy limits and coverage terms needed by members. Equally important, a strong capital base enables the company to pay covered losses in a timely fashion. Exercising underwriting discipline and prudently managing EIM's investment portfolio are crucial to both of these commitments.

With regard to underwriting, ensuring that EIM receives adequate premium for the risks it assumes is crucial. This means that EIM may not always be the lowest price on any given placement. However, history has proven that EIM has been, and will continue to be, the lowest cost provider of excess insurance coverage over time. Continued Member Company support on this point is essential if EIM expects to maintain underwriting integrity and financial stability.

The investment portfolio will continue to take advantage of the opportunities offered by the excess of loss underwriting portfolio, while minimizing downside risk. Equities and alternative investments are expected to comprise 35% of the EIM investment portfolio with fixed income investments representing 65% of the portfolio. The expense ratio will be held below 10%, as EIM persists in keeping operating costs as efficient as possible.

Business Process

As part of EIM's efforts to capitalize on cost efficiencies, 2016 goals

will focus on ongoing projects to digitize the document management process, including reduced reliance on hard copy documents and lowering the cost of document filing, transmission, and storage. Equally important, EIM, along with Energy Insurance Services (EIS) and Energy Captive Management (ECM), will capitalize on shared business platforms for underwriting, claims, and accounting functions. This will make the sharing of information easier and create a uniform database that is more readily accessed by Member Companies.

People

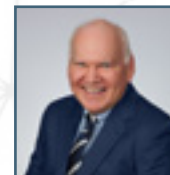
Ongoing training and professional development are essential, especially for companies that count on a relatively small staff to deliver on key objectives and build the foundation for succession and future leadership. EIM has been fortunate to attract and retain talented professionals capable of doing both.

In Summary

EIM continues to work hard to achieve the strategic objectives established almost three years ago. A combination of ongoing soft market conditions, a volatile investment environment, and an ever-changing risk landscape present risk management challenges for both EIM and Member Companies. However, with Member Company support, EIM remains well-positioned to meet its objectives and to continue providing meaningful risk management solutions.

Together, we'll meet the challenges of 2016.

For more information contact:
Scott Goodell, President and Chief Executive
Officer, at sgoodell@eimltd.com





Doyon Utilities, LLC
www.doyonutilities.com

Doyon Utilities owns and operates the utility infrastructure that provides service to three military facilities in Alaska. In all, the company operates 12 utility systems at Fort Wainwright, Fort Greely and JBER Richardson. Doyon's mission is to provide reliable utility services to its valued military customers.

THE 2016 ANNUAL EIM RISK MANAGERS INFORMATION MEETING

DATE

February 21-23

LOCATION

*Omni Orlando Resort at
ChampionsGate*



Mark your calendar for the 30th annual EIM Risk Managers Information Meeting. The 2016 meeting, "Standing the Test of Time," will take place from February 21-23 at the Omni Orlando Resort at ChampionsGate. Join EIM, Energy Insurance Services, Inc. and Energy Captive Management LLC as we share collective risk management experiences and explore the latest developments in the energy industry. Industry experts will lead thought-provoking discussions and offer key insights on emerging issues and successful risk management strategies. Gather with fellow industry professionals for engaging presentations, interesting learning experiences and plenty of opportunities to socialize and enjoy the warm Florida sunshine.

Register for the 2016 RMIM now on the EIM website, or contact [Taniyka Ragland](#) or [Katie Schultz](#).



EIS closed 2015 with a flood of activity. Beginning with the annual Program Advisory Committee (PAC) conference in October, where attendance was an all-time high, EIS continued to work with numerous members on a broad range of alternative risk solutions. From employee benefits, to owner controlled insurance programs, to trust owned health insurance, and innovative property coverages, EIS actively supported feasibility studies while coordinating with the South Carolina Department of Insurance to facilitate protected cell additions and expansions.

What was clear from the October PAC meeting was an elevated interest in alternative risk opportunities. Many companies are willing to explore tailored solutions designed to meet specific risk management needs. In 2016, EIS will follow up on the many inquiries and initiatives advanced by Member Company risk

managers. When appropriate, these discussions can encompass broader alternative risk management solutions extending beyond protected cell captives. EIS is committed to assisting members searching for more efficient or effective risk management solutions, including alternative risk options that may not include captive operations.

Creating a forum for sharing ideas on risk management alternatives and becoming the first stop for Member Companies seeking to develop tailored solutions are long term goals that will require the collective efforts of professionals at EIS, ECM, and EIM. Working together with Member Company risk managers, the combined resources within the EIM family of companies are well-positioned to bring risk management solutions to fruition.

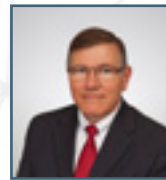


The following list outlines some of the current lines of business within MBP cells:

- All Risk Property
- All Risk Rail Rolling Stock
- Asbestos Liability
- Auto Physical Damage
- Auto Liability
- Builder's Risk
- Contractor Equipment Floater
- Directors and Officers Liability SIR Buydown
- Environmental
- Excess Liability
- Excess Workers' Compensation
- General Liability Indemnity
- Owner Controlled Insurance Program Deductible Buydown
- Professional Liability
- Retiree Medical Group Stop Loss
- Transmission and Distribution Risk
- TRIPRA (Terrorism)
- Wildfire Hazard

Discussions continue regarding new lines of business, as well as expanded lines of business for existing cells. In short, we expect 2016 to be a busy year as EIS, ECM, and EIM work closely with Members to identify protected cell and alternative risk opportunities. We look forward to taking these opportunities from concept to reality.

Inquiries regarding EIS and MBPs should be directed to Randy Martin, Vice President - Chief Operating Officer, at rmartin@eimltd.com





Timothy A. Jones
Doyon Utilities

Tim has held the position of Vice President of Administration for Doyon Utilities, LLC, since November 2011. He came to Doyon Utilities after serving over 27 years with the U.S. Army, retiring as a colonel. Throughout his Army career, he served in a variety of assignments, in both conventional and special operations forces, including combat commands in Panama, Iraq and Afghanistan. For his last assignment, he served as the garrison at Fort Wainwright, AK, a position akin to city manager.

COL (Ret) Jones is a 1984 graduate of the United States Military Academy and a 2007 graduate of the Army War College. He holds post-graduate degrees in public administration and national strategy. He and his wife, Theresa, currently reside in Fairbanks, Alaska, where COL (Ret) Jones serves as Interior Alaska's representative on the state's Joint Armed Services Committee.



James Vacek
CenterPoint Energy

Four years ago, Jim started at CenterPoint Energy, headquartered in Houston, Texas, as the company's corporate insurance coordinator. In his current position, Director of Insurance and Risk Management, Jim is responsible for identifying, analyzing and processing exposure information, financing and budgeting of retained risks. During his tenure, Jim has reevaluated how the company looks at risk mitigation and risk transfer, exploring alternatives to conventional insurance.

Before landing at CenterPoint, Jim held numerous positions with U.S. based energy brokers and major energy companies after earning a BA from Texas A&M. Although he never intended to make a career of risk management, he developed an interest after spending time in gas control, gas operations, supply and insurance. He ended up staying in the insurance department, gaining exposure to different areas such as brokering and underwriting.

Jim has been married for 29 years to his wife, Karen, who is an SAP consultant in oil and gas. Together, they've raised two sons, Zak (26) and Matt (22).



In 2015, ECM transitioned administrative responsibilities from USA Risk Group (South), relying on our mantra, “a seamless transition, with the same or better services.” As ECM worked diligently to complete the handoff of EIS administrative services, monthly and quarterly closings took center stage. ECM parallel-processed EIS accounts with USA Risk through the second quarter. Beginning in July 2015, ECM assumed full responsibility for Mutual Business Programs (MBPs). The updated financials were prepared and presented to all active MBPs at the October 2015 Program Advisory Committee (PAC) conference in Charleston, South Carolina.

As part of its commitment to enhance services, ECM has implemented the SAGE accounting system, which provides broader reporting capabilities and more streamlined accounting functions.

In addition, ECM has linked to EIM’s EPIC system. Policy, claims, and accounting information for ECM, EIS, and EIM are now housed in a single, integrated database. ECM also continued use of the Clearwater analytics reporting systems to track investment performance on a real-time basis.

In 2016, ECM will expand its service capabilities, building an enterprise risk model (ERM) that will dovetail with the existing ERM platforms used by EIS and EIM. In addition, ECM will work with MBPs to identify online reporting needs to assist the development of tailored, web-enabled policy, claims, and accounting statements. Most important, ECM will continue to build on the positive momentum created during the transition process as we maintain our commitment to supporting MBP operations in an efficient and effective manner.

ECM also plans to work closely with EIS and EIM to ensure that Member Company risk management needs are met. The combined resources, technical expertise and professional experience of ECM, EIS, and EIM make this a formidable organization—one capable of identifying, developing and executing unique alternative risk solutions that provide effective risk management solutions to Member Companies.

ECM looks forward to a productive, responsive and innovative 2016, as the company plays an integral role in helping Member Companies better manage risk.

Inquiries regarding ECM or MBPs should be directed to Tobias Burke, Vice President - Chief Accounting Officer, at tburke@energycaptives.com



Scott Goodell

PRESIDENT AND CHIEF EXECUTIVE OFFICER



As the president and chief executive officer of EIM, Scott Goodell recalls, "From the day I started, I was struck by the collaborative nature of the relationship between EIM and Member Companies. The commitment to working cooperatively permeates virtually every aspect of EIM

operations, whether it's renewing coverage, handling claims, or finding new solutions to emerging risks."

With regard to the best and worst aspects of EIM, Scott jokes that the best thing about EIM is that it's like a family. He quickly adds that this is also the worst thing about EIM. Nonetheless, he's quick to compliment what he calls, "a terrific family that provides a supportive and rewarding workplace...a wonderful network of people who make working fun."

Scott feels fortunate to interact on a daily basis with a talented group of professionals who work hard to make a difference for EIM's Member Companies.

After five years, he still envies those who have had the good fortune to celebrate decades-long connections with the organization, either as employees, business partners or member organizations.

India Diaz

MANAGER, INFORMATION SYSTEMS

As Manager of Information Systems for the past 25 years, India has contributed to the company's tremendous growth over the two and a half decades on the job. She looks forward to playing a continued role in EIM's future success.

Christine Freiherr

ACCOUNTING MANAGER



Hired in 2010 as one of two accounting managers, Christine is now celebrating her five-year anniversary with EIM. Since her start date, she has played a pivotal role in the company's finances, quickly responding to the many changes that have occurred as the result of our rapid growth.

Prior to EIM, Christine built a solid accounting background working with utility and other clients for industry stalwarts PricewaterhouseCoopers, Arthur Andersen and Citigroup. Although she had no specific insurance experience when she accepted her current position, she learned quickly thanks to what she refers to as "an environment of knowledge sharing." What Christine most enjoys about working for EIM is the opportunity to play a greater role in the overall process and seeing the end results of her efforts.

When she's not preparing financial statements for the company, Christine stays active training for events like a recently completed IRONMAN triathlon.

Balance Sheets

(Unaudited and Expressed in Thousands of U.S. Dollars)

<u>Assets</u>	<u>09/30/2015</u>	<u>12/31/2014</u>
Investments	\$1,458,579	\$1,465,263
Cash and cash equivalents	72,218	88,557
Reinsurance recoverable on losses	331,115	331,613
Prepaid insurance premiums	35,498	40,233
Premium receivable	2,811	6,009
Other assets	14,426	6,841
Total assets	\$1,914,647	\$1,938,506
<u>Liabilities and policyholders' surplus</u>		
Reserves for losses and lae	\$760,603	\$712,316
Unearned and advanced premiums	107,630	114,216
Reinsurance premiums payable and funds held	20,965	31,491
Net deferred income tax liability	60,676	76,900
Policyholder distributions payable	-	20,000
Accounts payable and accrued expenses	10,428	12,027
Income tax payable	-	13,256
Total liabilities	960,302	980,206
 Members' account balance	 798,820	 780,897
Accumulated other comprehensive income, net	155,525	177,403
Total policyholders' surplus	954,345	958,300
Total liabilities and policyholders' surplus	\$1,914,647	\$1,938,506

Statements of Income and Comprehensive Income

(Unaudited and Expressed in Thousands of U.S. Dollars)

<u>Underwriting revenue</u>	<u>09/30/2015</u>	<u>09/30/2014</u>
Net premiums earned	\$ 104,388	\$99,434
Other underwriting income	1,588	1,930
Total underwriting income	105,976	101,364
<u>Underwriting expenses</u>		
Net losses and loss adjustment expenses	\$116,589	\$114,798
Policy acquisition costs	1,313	1,506
Administrative expenses	7,176	7,085
Total underwriting expense	125,078	123,389
Loss from underwriting	(19,102)	(22,025)
Investment income	31,725	33,225
Income before policyholders' distribution and income tax	12,623	11,200
Policyholder distribution	-	-
Income before income taxes	12,623	11,200
Income tax (benefit) expense	(5,300)	3,039
Net income	17,923	8,161
Other comprehensive (loss) income	(21,878)	27,122
Comprehensive (loss) income	\$(3,955)	\$35,283

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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