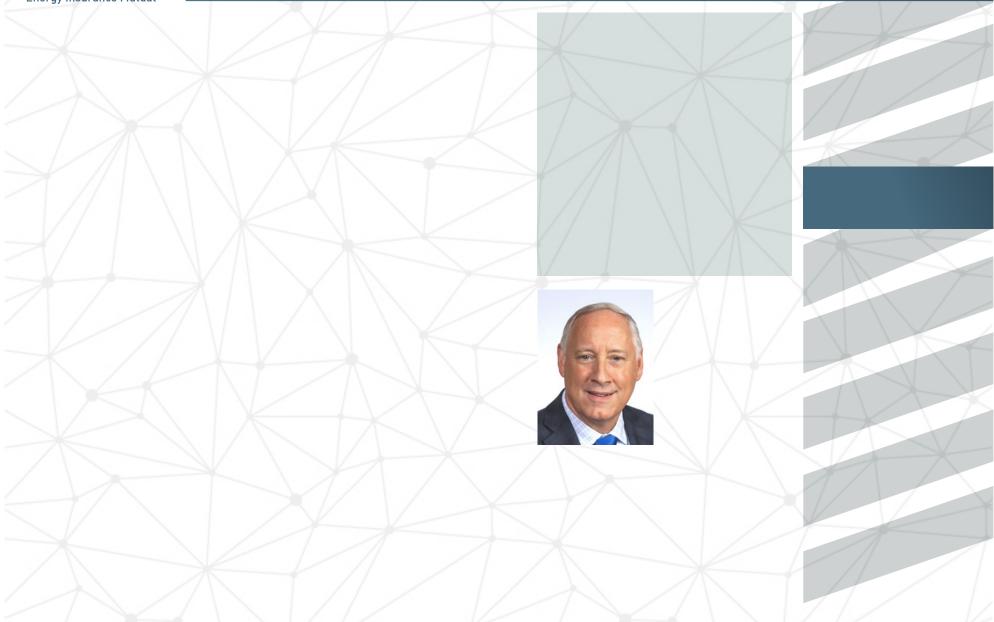


MEMBERS REPORT





EIM WELCOMES NEW BOARD CHAIR, MARIAN DURKIN



Marian Durkin Board Chair

EIM is pleased to announce the election of Marian Durkin as the company's new Board Chair. Marian brings a strong history of legal and compliance expertise to the role.

As Senior Vice President, General Counsel and Chief Compliance
Officer of Avista Corp., she provides guidance to the Avista Corp. Board on legal matters and as Chief Compliance Officer she is responsible for Avista's ethics and compliance programs.

Marian expects EIM to maintain its strong commitment to Members as it strives to stand the test of time. "Finding solutions to Member needs is the reason EIM was created. Since I have been on the Board, I have seen a strong focus on succession planning and the professional development of the people who make up EIM." She notes in particular, "The recent transition from Rob Schmid to Randy Martin at EIS and the creation of ECM demonstrate that the company is focused on making sure that the organization has the right people to keep EIM successful into the future."

Please join us in welcoming Marian Durkin and supporting her throughout her tenure as Board Chair.

As Board Chair of EIM, Marian expects to play an instrumental role in meeting the challenges facing the energy industry, specifically the changing risk landscape and issues of cyber security and the environment. Marian says, "EIM's responsiveness to its Member needs and the ability to offer alternative risk solutions, both at EIM and through EIS, is key to how it will meet those challenges."

In addition, Marian will be instrumental in carrying out the strategies outlined at the annual Risk Manager's Information Meeting. These include Member focus, financial stability, efficient business processes and the development of well-qualified people to keep EIM performing at a consistently high level.

Working with the IAC, Marian intends to identify emerging risks and seek solutions that will be responsive to Member needs. She states confidently, "EIM has a history of a strong focus and commitment to its Members, which I believe is key to its success."



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NEW MEMBER COMPANIES





www.algonquinpower.com

Algonquin Power & Utilities Corp., headquartered in Oakville, Ontario, Canada, is a growing renewable energy and regulated utility company with assets across North America. Through its two operating subsidiaries, Algonquin Power Company and Liberty Utilities, the corporation acquires and operates green and clean energy assets. These include hydroelectric, wind, thermal and solar power facilities. In addition, the corporation acquires and operates sustainable utility distribution businesses such as water, electricity and natural gas.



Electric Transmission Texas, LLC

www.ettexas.com

Electric Transmission Texas, LLC (ETT) is a joint venture between subsidiaries of American Electric Power and Berkshire Hathaway Energy Company. Headquartered in Austin, Texas, ETT acquires, constructs, owns and operates transmission facilities within the Electric Reliability Council of Texas (ERCOT). By partnering with Berkshire Hathaway Energy Company—a company with significant transmission operating experience—AEP enhances its ability to make transmission investments in Texas to meet ERCOT needs, demonstrating ETT's value to the Texas marketplace and its consumers.



Northern California Power Agency

www.ncpa.com

The Northern California Power Agency (NCPA), headquartered in Roseville, California, was established in 1968 by a consortium of locally owned electric utilities. Its purpose is to make joint investments in energy resources that will ensure an affordable, reliable and clean supply of electricity for customers in its member communities. NCPA is a not-for-profit agency, currently serving 15 members including municipalities, a rural electric cooperative and other publicly-owned entities.



EIM BIDS FAREWELL TO RETIRING BOARD MEMBER, WILLARD EVANS



Willard S. Evans Jr.

Willard S. Evans, Jr., has been a valued Board member of EIM for the past four years. During his tenure, he has also served as Chair of the Claims and Audit Committees.

When asked about his upcoming retirement, Will says he will miss his fellow board members and

the staff of EIM. "They are a quality group of individuals with thoughtful insight into the industry, tremendous intelligence and a great sense of humor."

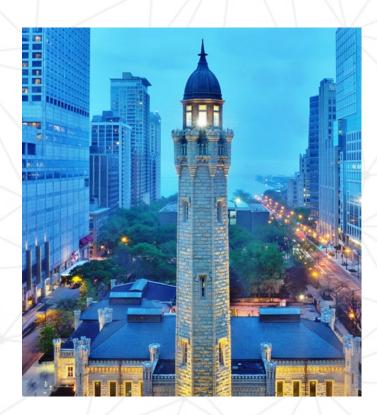
Prior to retiring from the EIM board, Will retired from a much longer tenure as President at Peoples Gas and North Shore Gas located in Chicago, Illinois. His long service there began with a summer engineering internship decades ago. He later joined the company full-time in 1977 and retired in 2014.

During his time at the utility, Will was responsible for strategic, tactical and operational direction for natural gas operations in Illinois. He eventually went on to serve as Vice President of IT Services, Operations, and Vice President of Gas Supply and Engineering. Will also provided overall leadership for managers and employees and was responsible for the implementation of corporate initiatives and operational plans.

Will's impressive accomplishments include both Bachelor of Science and Master of Management degrees in electrical engineering from Northwestern University. He has also been

honored to serve as a member of the Business Leadership Council, American Association of Blacks in Energy and the Kellogg Alumni Club of Chicago. Additionally, he is a past president of the St. Ignatius College Prep Parent Organization.

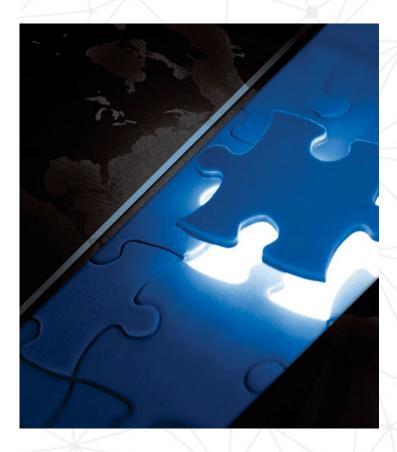
We are grateful for Will's service to our board and wish him great success in his future endeavors, which Will hopes will include a little consulting work, lots of golf, and continuation of his work as Chair of Chicago Commons.







GREETINGS FROM CHARLESTON—EIS UPDATE



Greetings from Charleston!

I hope this update finds you in good health and well on your way to a productive and profitable year. It has been eight months since my arrival at EIS and one year since the operational launch of ECM. Moving captive management into a sister company of EIS has been, by all accounts, seamless. The EIS and ECM internal organizational gains are being realized every day in the coordination of activity, where priorities and performance

expectations are aligned to meet the needs of Participants and EIM Members.

The 2015 annual audited financials were recently completed, approved by the Board and e-mailed to all PAC members of each Mutual Business Program (MBP) by account managers, Jeff Tkacz and Kim Jenkins. I hope you take a moment to review these financials and if you have any comments or questions please let us know.

As we move toward the middle of 2016, some of the items we are working on include:

- 2016 PAC Conference
- EIS/ECM Strategic Planning
- ERM Framework for MBPs

2016 PAC Conference

A few weeks ago, you should have received a 'Save the Date' email from Taniyka Ragland for the 2016 PAC Conference that is scheduled for October 24 – 27, 2016 in Charleston, SC. Registration will open on our website in July. Details of the agenda, venue and activities are on our website now. We continue to build the general session meeting agenda. This session will be on the morning of Wednesday, October 26th. Several of the topics that will be presented during the general session include:

- Investment Strategies for a Captive
- Tax and Captives
- Medical Stop Loss Reinsurance
- Benefit Strategies
- More to come

(continued on page 6)



GREETINGS FROM CHARLESTON—EIS UPDATE

(continued from page 5)



EIS/ECM Strategic Planning

As we are in the final year of our current three-year strategic plan cycle, we have begun to reassess and recast our strengths, weaknesses, opportunities and threats for our 2017-2019 Strategic Plan. Action plans will be derived from the SWOT analysis and aligned with our overarching corporate vision, mission and goals. Our current Strategic Plan is posted on your EIS Web Portal for your reference.

ERM Framework for MBPs

One of the initiatives from our current Strategic Plan was to develop an enterprise risk management (ERM) framework for the general account of EIS. As you know, the general account is the core financial structure of EIS that is separate and apart from the MBPs. Having this ERM process completed, we now are considering the value of creating a platform that could support a useful MBP ERM dashboard view within each MBP Portal. We

are very early into this project and have several steps and a few technology hurdles to take before we will be able to confidently provide information on if and how this will take shape.

As we continue to look at our Strategic Planning and the MBP ERM endeavor, we will be conducting a survey among both active MBP Participants and other EIM Members to gather feedback to help us remain focused on what is of greatest importance to you and how we serve your alternative risk financing / captive participation needs.

Thank you for your support of EIS and ECM. We look forward to seeing you in Charleston.



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





IAC WELCOMES NEW MEMBERS



Michael G. McFarland Great River Energy

As the Director of Enterprise Risk Management at Great River Energy in Minneapolis, Mike is responsible for overseeing his company's risk management program, encompassing strategic, large project, trading/marketing, operational and compliance risk. He also manages Great River Energy's property and casualty insurance program.

Mike's career in the utility industry spans more than 25 years, beginning in 1982 with Northern States Power Company (now Xcel Energy), where he served for 13 years in various IT and leadership positions. Mike has also provided IT and telecommunications project management and risk assessment services through his own consulting firm, Asynchrony, Inc. He received his Bachelor of Science degree in Aerospace Engineering & Mechanics in 1986 at the University of Minnesota's Institute of Technology.

This experienced IT and telecommunications executive says he views membership in the IAC as, "a truly valuable avenue of exchange between risk managers facing everyday, real-world insurance issues."

Once an avid rock climber (talk about risk management), Michael is still active these days. He enjoys running, sailing and home renovation. Michael is very interested in travel, with some big trips planned this year.



R. Andy Hamilton Spectra Energy

As General Manager, Insurance, Andy is the leader of the corporate insurance services group for Spectra Energy in Houston. This makes him responsible for the D&O, property and casualty insurance programs, claims, contract review and management of two wholly-owned captives.

Andy joined Spectra Energy in November 2001. Prior to his current position, he served as General Manager in the Tax Department. He has also worked at Ernst & Young, LLP and Porter & Hedges, LLP. His impressive education credentials include a BSBA in Accounting from San Diego State University, a Master of Professional Accounting degree from the University of Texas, and a JD degree, summa cum laude, from the University of Houston.

Concerning his new membership, Andy believes, "The IAC provides a valuable link between EIM and its members, allowing members to learn lessons outside of the normal insurance renewal process. I look forward to meeting other members so that I can share news from EIM and hear ideas and concerns."

Andy and his wife, Jennifer, have two children, Nick, the percussionist, and Haley, a Girl Scout.



ROB SCHMID RETIRES FROM EIS



Robert P. Schmid

Rob Schmid joined EIM in May 2006, when he assumed the position, Vice President-C00 of Energy Insurance Services, Inc. (EIS). Effective June 1, 2016, Rob began a well-deserved retirement.

Rob joined EIS as it was relocated from Bermuda to South Carolina, where the company capitalized on a favorable regulatory, tax and

economic environment. Soon after, he successfully addressed a number of issues to position the organization to provide enhanced products and services to its Member Companies.

Against the backdrop of an ongoing dispute with the Internal Revenue Service, outstanding accounting issues and a new regulatory environment, Rob hit the ground running. With help from a group of talented professionals, Rob oversaw the resolution of the IRS dispute in EIS's favor, cleared up legacy accounting issues and ensured that EIS became an integral part of the South Carolina captive community.

Under Rob's leadership, EIS achieved premium increases year after year, helped additional new Members take advantage of protected cell solutions and grew surplus on an annual basis to become the largest captive insurance provider in the state.

"Being part of a mutual company provides a unique opportunity for collaboration and building relationships with Members that you just don't find in most business environments," states Rob. "My previous employment with a utility afforded me the opportunity to be part of the team that started a Mutual Business Program (MBP) with EIS's Bermuda-based predecessor company, and that experience helped

me understand the value that EIS provides to Member Companies."

In 2015, Rob oversaw the creation of Energy Captive Management, LLC, a wholly-owned EIM subsidiary dedicated to providing administrative services to EIS and its MBPs. Rob managed the formation of ECM and the transition of administrative services seamlessly, providing a platform for dedicated administrative services for EIS MBPs.

During his time in South Carolina, Rob served as a Board member of the South Carolina Captive Association and watched South Carolina grow into one of the leading jurisdictions for captive insurance companies. The South Carolina Captive Insurance Association recently honored him for his contributions.

As a thriving captive insurer, EIS has offered risk management solutions through more than 30 MBPs, involving almost 50 EIM Member Companies. Due to Rob's hard work, vision and commitment, EIS stands as a shining example of the successful captive insurance alternative envisioned by South Carolina when it enacted its enabling legislation in 2000.

Rob recognizes those who contributed to the success of EIS. "Working with EIM and EIS has allowed me to meet and work with talented, interesting and dedicated people across the country, including those who represent Member Companies and committed team members who always keep Member satisfaction foremost in their thoughts." He adds, "It has been my pleasure to be involved with our growth and stability over the last ten years. I look forward to the significant future value that Randy Martin and his team will provide to the EIS membership."

We wish Rob all the best for his well-earned retirement.



STAFF ANNIVERSARY AND EIS PAC CONFERENCE



Jeanne Allen Underwriting Assistant

In August 2006, Jeanne began working in the EIM Underwriting Department. During her ten years on the job, she has seen many changes take place, both internally and within the industry.

When asked about her long-term service to EIM, Jeanne recalls, "I have enjoyed being a part of the alwaysevolving utility industry. I have also enjoyed getting to know our many diverse Members."

Jeanne is optimistic about her own future and that of EIM. She insists that, "EIM is my home away from home. I look forward to seeing what the next 10 years hold for me."

SAVE THE DATE THE 2016 EIS PAC CONFERENCE

Energy Insurance Services
Program Advisory Committee Conference

Charleston, South Carolina October 24-27, 2016

Join us at the Hyatt Place Hotel in Charleston, South Carolina, for PAC meetings, updates from service providers and industry professionals, and always-valuable networking opportunities. In addition to the meetings, we will find time to experience the area's unique Southern charm and hospitality. Don't miss this important event.





Q1 2016 FINANCIAL REPORT

Balance Sheets

(Expressed in Thousands of U.S. Dollars)

	03/31/2016	12/31/2015
<u>Assets</u>		
Investments	\$ 1,472,515	\$ 1,512,002
Cash and cash equivalents	32,873	76,026
Reinsurance recoverables on losses	414,659	402,240
Prepaid reinsurance premiums	33,095	43,634
Premiums receivable	2,366	7,446
Income taxes recoverable	2,431	1,837
Other assets	6,012	9,497
Total assets	\$ 1,963,951	\$ 2,052,682
Liabilities and policyholders' surplus		
Reserves for losses and loss adjustment expenses	\$ 775,618	\$ 839,222
Unearned premiums	80,288	120,976
Reinsurance premiums payable and funds held	15,131	20,131
Net deferred tax liability	73,939	67,697
Policyholder distributions payable	-	20,000
Borrowings on line of credit	16,500	-
Accounts payable and accrued expenses	12,378	12,210
Total liabilities	973,854	1,080,236
Members' account balance	820,384	807,516
Accumulated other comprehensive income	169,713	164,930
Total policyholders' surplus	990,097	972,446
Total liabilities and policyholders' surplus	\$ 1,963,951	\$ 2,052,682

Statements of Income and Comprehensive Income (Expressed in Thousands of U.S. Dollars)

	03	03/31/2016		03/31/2015	
<u>Underwriting revenue</u>					
Net premiums earned	\$	34,047	\$	34,145	
Other underwriting income		584		557	
Total underwriting income		34,631		34,702	
<u>Underwriting expenses</u>					
Net losses and loss adjustment expenses		25,493		4,021	
Policy acquisition costs		476		440	
Administrative expenses		3,646		3,209	
Total underwriting expense		29,615		7,670	
Income from underwriting		5,016		27,032	
Investment income		12,306		12,212	
Income before income taxes		17,322		39,244	
Income tax expense		4,454		13,500	
Net income		12,868		25,744	
Other comprehensive income		4,783		5,416	
Comprehensive income	\$	17,651	\$	31,160	

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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