

MEMBERS REPORT JANUARY 2021



**Benefits of
Virtual Meetings**



**Staying
Focused**



**EIM 2021
Virtual RMIM
Conference**



**Welcome
Legaré W. Gresham**



**Q3 2020
Financials**



**EIS 2020 Virtual
Conference**



**Mary E. Kipp
Joins EIM Board**



**New EIM
Member**





MARY E. KIPP JOINS EIM BOARD OF DIRECTORS

Mary E. Kipp, president and CEO of Puget Sound Energy (PSE), joined the EIM Board in January 2021. Mary started at PSE in August 2019 with a vision to lead the company toward a clean energy future in partnership with its 1.5 million customers and the communities it serves. She's also deeply committed to addressing diversity, equity and inclusion within her company.

After only two months as CEO, Mary led PSE as the COVID-19 pandemic struck and the subsequent financial crisis unrolled. She believes in the mission of EIM to provide members with a financially sound organization offering responsive insurance products and risk management services.

"Our employees and our region depend on PSE being a financially stable company that continues to provide jobs and reliable energy to our customers," said Mary. "I appreciate that even in the face of these unprecedented times, EIM has remained committed to its members through meaningful risk financing."

Mary joined PSE from another long-time EIM member, El Paso Electric (EPE), where she served as chief executive officer since 2015 and president since 2014. Under her leadership, EPE—also a 100-year-plus company with a deeply-rooted community history—evolved to serve a diverse customer base spread across a mountain west region and growing border communities. After joining EPE in 2007, Mary held a variety of leadership roles throughout the company, including General Counsel, regulatory and rates, risk management, human resources, external affairs, customer care, environmental and safety.

Prior to EPE, Mary was a prosecuting attorney for FERC for four years, investigating and pursuing violations of federal energy laws. Mary also worked as a lawyer at El Paso Natural Gas Company and at Greenberg Traurig, LLP.

She is a member of the Board of Directors of the Alliance to Save Energy (ASE) and is immediate past chair of the Smart Electric Power Alliance (SEPA). She is also past deputy chair of the Federal Reserve Bank of Dallas; past chair of the Borderplex Alliance; and past executive committee member of the Texas Business Leadership Council.

Mary received a Bachelor of Arts degree from Williams College, a Juris Doctor degree from The University of Texas School of Law, and is an alumnus of Exeter College, Oxford University.

Mary lives in Seattle on a houseboat and has two children. She kayaks on Lake Union whenever the Pacific Northwest weather allows.





Many years ago, EIM adopted and trade protected the maxim, “Our Members, Our Focus®.” Never has the adage been more appropriate than the last nine months as EIM has worked diligently to meet member company excess insurance needs. Despite the roller coaster ride that took us through 2020, with the ups and down of the investment market, the impact of COVID-19 felt throughout the world, and a plethora of loss events impacting the energy

industry, we have remained focused on our members, with particular attention directed to operational consistency, financial stability, and always moving forward.

OPERATIONAL CONSISTENCY

We understand that at times like these members rely heavily on the mutuals. In turn, EIM views tumultuous events as an opportunity to highlight and deliver on our value proposition. To this end, we have we have timely renewed nearly 100% of member company coverages across all lines of business, carefully considered new business applications to ensure that on-boarded risks meet EIM’s underwriting guidelines and overall risk tolerance, and prudently assessed all requests to expand existing capacity on a member by member basis.

In addition, we have worked diligently to administer and resolve all pending claims. EIM started the year with 758 total claims, comprised of 622 precautionary, 28 monitoring, and 108 indemnity claims with established loss reserves. Over the course of the year, we have closed more than 238 claims, including resolution of 34 claims with indemnity reserves. These efforts resulted in claim payments on behalf of members totaling more than \$200 million for the year.

Moreover, we have focused on ensuring that the “virtual world” we now operate in does not undermine consistent communication among staff and members, muddy the transparency that is essential to our member and business partner relationships, or create any impediment to doing business as usual in very unusual times. This means regularly meeting with staff and our members, albeit remotely, and clearly communicating our goals and objectives and the actions attendant to these commitments. We have ensured that all staff have the tools to get the job done in a timely and orderly fashion, even when working from home, by investing in virtual meeting technology, updating computing resources, and improving remote connectivity to EIM operating systems.

Considering the upheaval that has visited companies around the world, EIM has performed admirably in the face of the challenges posed by the pandemic and remains relatively unaffected from an operations standpoint.

FINANCIAL STABILITY

While consistency in operations is important, we recognize that financial stability is what ultimately empowers us to meet member companies needs. The significant investment market drop late in the first and early second quarters of 2020 prompted us to revisit our investment allocation, examining whether investments were facing a long-term downturn requiring a reallocation of our portfolio mix. After input from our investment advisor and careful consideration by the Board’s Investment Committee we held firm on our investment guidelines and benefited from the recovery that began in April and continued through December. In fact, our budgeted investment return of 4% was exceeded by approximately 70%, providing us with much needed capital to pay losses while maintaining sufficient surplus to weather unanticipated drains on resources that might arise in the underwriting, claims, investment or operations areas.

continued on next page...





Speaking of claims, it has been another active year. While EIM pared back its California wildfire exposure in 2020, numerous liability claims developed from prior years arising mainly from gas explosions and electric contact cases. EIM established liability claim reserves totaling approximately \$180 million and has made total payments on liability claims of approximately \$231 million. This activity has driven more restrictive terms and higher pricing from our reinsurance partners as the reinsurance market as a whole has significantly hardened and is expected to continue in this direction through 2021. We are fortunate to have the financial strength to manage the tightening reinsurance market while still offering core excess of loss coverages to members.

New business, expanded capacity, and premium increases for members with significant loss experience have increased annual gross written premium to \$329 million, up 15% from 2019. Combined with our 2020 loss activity, we expect to see a gross loss ratio of 134% in 2020, about 44% higher than budgeted. After factoring in EIM's expense ratio of 4%, we anticipate a gross combined ratio of 138%.

Despite these challenges, EIM's 2020 financial performance has enabled us to continue our annual distribution for the tenth consecutive year. At its November 2020 meeting, the Board conditionally approved a \$50 million distribution to members of record at December 31, 2020 to be paid in March 2021. The distribution is contingent on no adverse financial developments through the conclusion of the 2020 fiscal year and issuance of audited financial statements.

Given all that EIM has experienced in 2020, we remain financially healthy and ready to take on the challenges of 2021.

MOVING FORWARD

If there was any lesson learned in 2020 it is that you must always move forward, no matter what the circumstances or challenges. In March, when we began working remotely, we were not quite sure what to expect. While remote meetings were not uncommon, we had never experienced a world where all activities, from staff meetings to member company renewal discussions, would be virtual. But, over time we improved on what was

already in place to support remote communications, refined new techniques to make remote interaction even more effective, and uncovered new processes and procedures that delivered a virtual experience which some have suggested is an improvement on our traditional face-to-face meetings. While in-person interaction is essential, we have gleaned insight from the last nine months that will make us more effective as an organization going forward.

Similarly, when we began working remotely, it was not clear how well we would adapt to communicating from afar and whether Zoom or Skype meetings would successfully take the place of weekly or monthly conference room meetings. As we quickly adapted to the new work paradigm, some questioned whether the traditional office environment would ever return, giving way instead to a virtual office model where working from home is the norm. Increased productivity, greater flexibility and cost efficiencies weigh in consideration of a reimagined remote workspace, while personal interaction, a shared company vision, and a healthy work/life balance counter perceived benefits of the "non-office" office. Whatever the outcome of our distanced working experience, we will take the lessons learned and use them to become even more effective for our members.

Regardless of the ebbs and flows occasioned by the pandemic, we have continued moving forward. Adding new members, providing additional excess capacity, and timely paying claims are clear evidence of EIM's positive movement and member focus. The "Our Members, Our Focus®" commitment remains as strong today as it was decades ago and it will drive our positive momentum through 2021 and beyond.



Tommy Bolton
President and Chief Executive Officer
Contact Tommy at tbolton@eimltd.com





EIS HOSTS SUCCESSFUL ANNUAL PROGRAM ADVISORY COMMITTEE CONFERENCE



Energy Insurance Services, Inc. (EIS) and Energy Captive Management LLC (ECM) virtually hosted its 13th consecutive annual Program Advisory Committee (PAC) conference since coming to South Carolina, unveiling the first virtual conference in EIS history.

All individual PAC meetings were conducted via Microsoft Teams with each Participant member.

EIS also offered a pre-recorded General Session that allowed Participants, brokers, and other EIS partners to view online a series of updates and presentations from key business partners and industry professionals. These presentations were web-enabled and available on demand.

Opening and closing remarks were provided by Randy Martin, EIS vice president and chief operating officer, and Tommy Bolton, president and chief executive officer. The General Session included a number of speakers who addressed a broad range of topics for EIS' Mutual Business Programs (MBPs). Based on the statistics from the website, over 473 views occurred.

In his opening remarks, Randy briefly reviewed the overall financial status of the MBPs where more than 60 active policies are in force generating over \$200 million in gross written premium. With combined MBP surplus reaching \$230 million, EIS continues to provide a valued and growing service to energy industry participants.

Bruce George, Partner at P/E investments, reviewed the current state of the investment market with a presentation titled, "There Are Weeks When Decades Happen...." Bruce discussed liquidity and government fiscal support in response to the COVID-19 pandemic, as well as the volatility (and recent recovery) of the investment market.

Jay Branum, Director of Captives at the South Carolina Department of Insurance (SCDOI), provided an update on the Department's Captive Unit, including recent personnel changes. At present, more than 65 pure captives are under South Carolina's regulatory purview, representing about 38% of the total captives domiciled in South Carolina. The bulk of these pure captives write between \$1-\$10 million in annual premium, with energy captives comprising 4% of total written premium. Jay continued to highlight EIS MBPs as model captive operations with a strong history of communication, transparency and collaboration with the SCDOI.

Outside auditor, Johnson Lambert LLP (JL), represented by Alex Murray, Principal, provided an audit overview, specifically addressing the status of the 2020 audit plan and expectations for 2021 audit activities. With the limitations on in-person audits occasioned by COVID-19, on-site audits may be delayed until the latter part of 2021 or postponed until 2022. Brandy Vannoy, JL Partner, and Gregg Guestin, JL Senior Manager, updated attendees on tax implications of the 2019 CARES Act as well as the potential impact on federal tax reform attendant to the upcoming presidential election.

In recognition of the increased cyber security concerns occasioned by the pandemic, Kim Jenkins, Senior Accountant at ECM, and Sridhar Kocharlokata, Director, Information Technology at EIM, provided an overview of the fraud prevention steps undertaken at EIS, ECM and EIM to ensure the safety and security of member data. With over \$500 million in MBP claims activity to date, data security is a top priority for ECM. Particular attention has been given to identifying potential sources of fraud and establishing protocol designed to thwart any efforts to compromise data, transactions, or assets. To date, these efforts have proven 100% successful in preventing any security breaches.

continued on next page...



Following up on the cyber security discussion, Mary Guzman, CEO/Founder, Crown Jewel® Insurance and Managing Director, MSR Underwriters, provided insights on managing vendor risk, noting that in a recent study of 600 companies, 44% experienced either direct (the vendor itself) or indirect (the vendor's vendor) breaches impacting their operations. Impacts included operations disruptions, increased operational costs, reputational damage, and financial loss. Mary reviewed insurance products available to companies using third party vendors, observing that the more expansive the supply chain relied upon by a company, the greater the likelihood of an upstream vendor breach.

ECM's Tobias Burke, vice president and chief accounting officer, and Megan Ogden, controller, discussed trends in the captive arena, reporting that over 50% of the more than 6000 captives in existence in 2019 were domiciled in the United States. The top three industries for captives include: (1) financial institutions; (2) healthcare; and (3) manufacturing, with energy ranked number six and power and utility number seven. Cyber coverage represents the fastest growing segment of the captive market with cat bonds, wildfire and digital risk remaining very active as well. In commenting on the impact of COVID-19, Tobias and Megan observed that, while having a significant impact on the insurance industry, the pandemic remained primarily an earnings event rather than a capital event.

Overall, participants found the conference informative and insightful. While still acclimating to the virtual climate, EIS members felt the time online was well spent.

Thanks to all attendees for their support. We hope to see you in person next year!



Randy Martin
Vice President - COO of EIS
Contact Randy at rmartin@eimltd.com

SAVE THE DATE

2021 Risk Managers Information Meeting

EIM will be sharing our 2020 company update virtually

Monday, March 1, 2021

More information on this virtual event to come





THE POSITIVE SIDE OF VIRTUAL MEETINGS



Since March, virtually all of EIM's meetings have been...well, virtual. Whether it is staff updates, renewal conferences, IAC gatherings, or Board meetings, EIM has used remote meeting platforms to bring people together. Having now experienced almost nine months of online meetings, we are asking ourselves about not just what we have lost due to this change, but also what benefits are we now seeing that we might not have experienced during our face-to-face get togethers back in what now feels like the distant past.

One area where we have considered this question is EIM Board of Directors meetings. In the four remote meetings held over the last 11 months, we have noted a number of positive aspects to remote communication. These include less travel time to and from meeting locations, more concise agenda items, and greater focus on decision making relating to key strategic and governance issues.

Historically, one of the most difficult aspects of planning Board meetings was availability of senior executives from member companies who not only juggle busy schedules within their own organizations and the industry as a whole, but are then asked to carve out two to three days each quarter to attend EIM Board meetings. Virtual meetings eliminate what can be time consuming travel and enable Board members to simply connect when Board meetings come to order and exit immediately upon adjournment. This not only saves time but also provides greater flexibility in scheduling meetings.

In addition to the time saving aspects of virtual meetings, we have more fully embraced the Board's regular encouragement to keep the meeting agenda concise and to focus on matters requiring Board decision making, governance, and fiduciary responsibilities. We have found that the virtual format lends itself to more succinct interaction, with an emphasis on key action items to be addressed by the Board. In addition to shorter agendas and more concise presentations, we have learned that virtual meetings benefit from regular breaks, generally providing 15-minute breaks at least every 90 minutes. As we get more accustomed to remote meetings, we are getting better at focusing our agenda, honing our presentations, and using time efficiently.



It's a new world for EIM and its members, business partners and staff, but we are progressing by capitalizing on the opportunities, minimizing the challenges, and continuing to discover the benefits of virtual meetings.

Another advantage of virtual meetings is the ability to engage across a broader range of participants. In the past, travel limitations often restricted the number of meeting participants, particularly for EIM staff. Now, with virtual attendance just an internet connection away, it is possible to seamlessly bring subject matter experts into a meeting where they can provide detailed, up-to-date information to the Board. This first-hand knowledge provides valuable insight to meeting participants. In addition, industry experts, business partners and guest speakers can be included in meetings with a minimum of effort, joining and exiting the gathering with little or no disruption. Going forward we will look for opportunities to pre-record these outside presentations to make the meetings even more efficient.

continued on next page...



As we plan not just our Board meetings, but meetings with the IAC, staff, and business partners, there are a number of lessons we have learned. They include:

- ✓ **Meeting prep is essential.** The more time we take to go through meeting materials and presentations in advance, the more efficient we can be.
- ✓ **Brevity is a virtue.** Culling meeting agendas and content to their essence makes for more focused and productive discussion.
- ✓ **Take a Break.** Overworked groups lose productivity. We look to provide a break at least once every 90 minutes.
- ✓ **Have Support at Hand.** With the multiple technologies converging on any remote meeting site, it is important to have IT expertise at the ready to immediately address any technical issues that may arise.
- ✓ **Take Advantage of Virtuality.** Using the virtual platform to include participants that might not otherwise be available for in-person meetings is a plus. Easily including subject matter experts whose attendance might be constrained by cost, time or travel makes for more informed and insightful meetings.
- ✓ **Make Meeting Remotely Easy.** Effectively digesting meeting content is challenging enough without having to struggle through IT platform and/or audio-visual connectivity hurdles. Finding a common platform that works, is dependable and easy to access, and is knowledgeably navigated by all meeting participants, helps eliminate distractions and wasted time.

When virtual meetings began as a necessity many months ago, they were punctuated by network failures, police and fire sirens and the ubiquitous barking dog or crying baby. While in-person meetings provide valuable interaction that builds irreplaceable bonds and strong business relationships, we are slowly seeing advantages offered by virtual meetings that, while not supplanting the value of personal interaction, offer other benefits that enable us to be just as efficient and effective. It is unlikely that virtual meetings will replace the positive dynamics of face-to-face interaction, but we are discovering positive aspects to this new world of social distancing that may well carry over into the post-COVID work environment.



Kevin Wolff
Vice President, General Counsel & Secretary
Contact Kevin at kwolff@eimltd.com





EIM welcomes Legaré Gresham, Actuarial and Analytics Leader, who joined the company in August 2020. Legaré was previously a consulting actuary with Pinnacle Actuarial Resources, Inc. in Charleston, South Carolina. She has more than 10 years' experience in the property/casualty practice arena, including extensive work with traditional insurers, captive insurers, and self-insureds, as well as public entities.

"I am thrilled to have joined EIM and I look forward to getting to know all of its members," said Legaré, who is familiar with EIS and ECM staff through their shared experiences with the South Carolina Department of Insurance (SCDOI) and the South Carolina Captive Insurance Association (SCCIA).

Her expertise includes loss reserving, pricing and product management, pro forma financial modeling and regulatory support. She is a Fellow of the Casualty Actuarial Society and a Member of the American Academy of Actuaries. She also serves on the University Liaison Committee of the Casualty Actuarial Society and is the chair of the Friendly Society Restored for the SCCIA.

Legaré will not only support EIM regarding its pricing, reserving and underwriting endeavors, but will also work closely with EIS and ECM in conjunction with manuscripted solutions for protected cell captives. Her experience with the SCDOI provides a valuable resource for EIM and EIS members.

Tommy Bolton, EIM's president and CEO, commented, "Legaré is an exceptional addition to the EIM family of companies, rounding out a skill set in the actuarial sciences that gives EIM, EIS and ECM greater depth, expanded flexibility, and augmented subject matter expertise. We could not be happier to have her on board."

Legaré received bachelor degrees in Chemical Engineering and French from Vanderbilt University and spent a semester in Aix-en-Provence, France refining her French language skills. After four years as a chemical engineer at DuPont, Legaré returned to academia and received a masters degree in Statistics from the University of South Carolina.

Legaré will be based in Charleston, S.C. at the EIS and ECM office. She and her family, which includes sons age nine and six, have resided in Charleston since 2004.

Please join us in extending a "Bienvenue" to Legaré!





GILL RANCH STORAGE®

GILL RANCH STORAGE

Gill Ranch Storage (GRS) is an underground intra-state natural gas storage facility near Fresno, California, jointly owned by Northwest Natural Holding Company, headquartered in Portland, Oregon and Pacific Gas and Electric Company (PG&E), based in San Francisco, California.

The facility includes a pipeline that links the operation to PG&E's mainline transmission system, allowing it to serve customers throughout California. GRS has the capacity to provide approximately 20 billion cubic feet (Bcf) of underground natural gas storage at a premium storage location offering a unique opportunity to access five interconnects.



Q3 2020 FINANCIALS

Balance Sheets

(Expressed in Thousands of U.S. Dollars)

	9/30/2020	12/31/2019
Assets		
Investments	\$ 1,735,247	\$ 1,659,784
Cash and cash equivalents	96,637	19,774
Reinsurance recoverables on losses	462,636	437,571
Prepaid reinsurance premiums	35,444	37,388
Premiums receivable	12,763	15,113
Income taxes recoverable	24,277	21,120
Other assets	10,064	10,238
Total assets	\$ 2,377,068	\$ 2,200,988
Liabilities and policyholders' surplus		
Reserves for losses and loss adjustment expenses	\$ 949,687	\$ 757,436
Unearned premiums	173,523	160,581
Reinsurance premiums payable and funds held	16,391	13,586
Net deferred tax liability	50,622	53,675
Policyholder distributions payable	-	50,000
Accounts payable and accrued expenses	11,482	12,740
Total liabilities	1,201,705	1,048,018
Members' account balance	1,175,363	1,152,970
Total policyholders' surplus	1,175,363	1,152,970
Total liabilities and policyholders' surplus	\$ 2,377,068	\$ 2,200,988

Statements of Income YTD

(Expressed in Thousands of U.S. Dollars)

	9/30/2020	9/30/2019
Underwriting revenue		
Net premiums earned	\$ 156,148	\$ 121,472
Other underwriting income	2,472	1,617
Total underwriting revenue	158,620	123,089
Underwriting expenses		
Net losses and loss adjustment expenses	171,665	191,255
Policy acquisition costs	2,603	2,181
Administrative expenses	8,556	9,072
Total underwriting expenses	182,824	202,508
Income (loss) from underwriting	(24,204)	(79,419)
Investment (loss) income	40,937	152,860
(Loss) income before income taxes	16,733	73,441
Policyholder distribution	-	25,000
Income tax (benefit) expense	(5,660)	8,301
Net (loss) income	\$ 22,393	\$ 40,140



Q3 2020 FINANCIALS (CONTINUED)

Statements of Changes in Policyholders' Surplus

(Expressed in Thousands of U.S. Dollars)

	Accumulated Other Comprehensive Income	Members' Account Balance	Total Policyholders' Surplus
Balance at January 1, 2019	\$ 186,892	\$ 948,278	\$ 1,135,170
Impact of adoption of ASU 2016-01	(180,702)	180,702	-
Trading portfolio election	(6,190)	6,190	-
Net income	-	17,800	17,800
Balance at December 31, 2019	-	1,152,970	1,152,970
Net income	-	22,393	22,393
Balance at September 30, 2020	-	\$ 1,175,363	\$ 1,175,363

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

800-446-2270 813-287-2117 Fax: 813-874-2523
eimltd.com

