

MEMBERS REPORT APRIL 2021

2021 ANNUAL RISK MANAGERS INFORMATION MEETING

The 2021 Risk Managers Information Meeting was held virtually on March 1, 2021. This April 2021 Members Report recaps the meeting, including the opening video highlighting the "Mutual Bunch" takeoff on the Brady Bunch theme. Because we were not able to meet in-person this year, we are sharing photos from previous Risk Manager Information Meetings as a reminder of our many great experiences together.



RMIM Virtual Welcome



State of the Company



Financial Performance



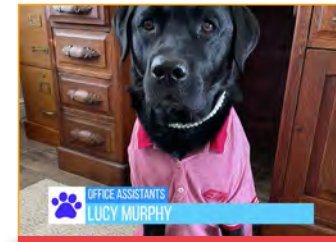
Underwriting Update



"The Mutual Bunch"



IAC Overview



New "Office Assistants"



EIS Status Report



Claims Review



David Hadler Award



Women in Power





Carter Reid
EIM Chair

EIM's Chair, Carter Reid, Executive Vice President, Chief of Staff & Corporate Secretary for Dominion Energy welcomed participants to EIM's 35th annual Risk Managers Information Meeting (RMIM) and the first virtual meeting in the company's history.

After noting that EIM's overriding commitment to the collective health and safety of attendees dictated a virtual format, Carter expressed confidence that all would find this year's RMIM informative and insightful. She further

observed that it had been an extraordinary twelve months since the group last gathered in Orlando, unaware of the impending upheaval to be brought on by the COVID-19 pandemic. Nevertheless, Carter expressed cautious optimism that 2021 will return some level of normalcy to our day-to-day business operations and personal lives.

Embracing the RMIM theme of "Evolving for Success," Carter noted the energy industry's swift response to the pandemic, its universal support of customers and communities impacted by COVID-19, and the steps undertaken to protect and assist employees as they confronted coronavirus challenges. Whether it was updating business-continuity plans, implementing COVID-19 safety protocols, assisting customers with financial difficulties, or protecting employees by implementing work-from-home procedures and ensuring that they had the necessary technology and connectivity capabilities to effectively function remotely, the industry has adapted well to the new reality of a worldwide pandemic.

EIM evolved as well amidst the pandemic. Carter reported that the company underwent changes at the Board, the Insurance Advisory Committee, and senior management levels. Armando Pimentel, former President and CEO of Nextera Energy Resources completed his Board term in May 2020 and Mary Kipp, President and CEO of Puget Sound Energy, joined the Board in November 2020.

The Insurance Advisory Committee elected a new chair in February 2020, with Mike McFarland, Director, Enterprise Risk Management at Great River Energy, taking over the reins from Edsel Carlson, Risk Manager at TECO Energy. Stephanie Rogers, Director, Risk & Insurance, Plains All American Pipeline, L.P., was newly elected as the IAC Vice Chairman.

With Scott Goodell's retirement in May 2020, Tommy Bolton assumed the leadership of EIM as its President and CEO. Since assuming his new role, Tommy has overseen the transition of EIM's new CFO, Jeff Tkacz, as well as the addition of staff that augmented actuarial, information technology, and captive expertise.

All of these transitions, Carter observed, undertaken while simultaneously meeting the coronavirus challenges, were completed seamlessly thanks to the hard work and dedication of EIM's Board, the IAC, and EIM, EIS and ECM staff.

"Evolving for Success" could not be a more appropriate theme for this year's conference. Carter stated that, "What you will see and hear about today is a reflection of the solid financial, underwriting and operational platform that has well-positioned EIM to meet the challenges occasioned by this unprecedented time in our history." EIM has adapted and evolved over the last 12 months, remaining steadfast in its dedication to its members and business partners.

On behalf of the Board and everyone at EIM, EIS and ECM, Carter thanked attendees for their ongoing support, without which EIM could not have weathered the pandemic storm as well as it has.

In closing, Carter invited all to enjoy the virtual session and expressed hope to see everyone - in person - in Orlando next year.



1987



EIM's first general membership meeting.

Tommy Bolton, EIM's President and CEO moderated a panel discussion reviewing company performance for the 2020 fiscal year.

Before turning to panel members for their respective updates, Tommy provided general comments that focused on EIM's stability over the last 35 years and its adherence to the mission and vision established by its founding members. He also thanked the Board and the Insurance Advisory Committee (IAC) for their unparalleled support over the last year, which made tackling the pandemic fallout more manageable.

In describing the COVID-19 experience as the "unknown of unknowns," Tommy noted that steps taken by EIM in the recent past, including investment in cloud technology, IT infrastructure, and additional staff, positioned the company to adapt quickly to the post-COVID world.

This evolution included "finding opportunity in the unknown" by highlighting the mutuality inherent in EIM's decades-long history and emphasizing communication and transparency with members, staff and business partners. In the end, Tommy stated that, even in the face of these pandemic challenges, acting in the best interest of members remained paramount.

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



1987



Insurance Advisory Committee: Ed Ahrens, *Florida Power & Light*; Leonard Zawodniak, *American Electric Power*; Richard Tetreault, *Southwest Gas*; Walter Holberg, *Philadelphia Electric*.

1987



Richard Tetreault, *Southwest Gas*; Donald Nill and Harold Jacoby, *DPL*; Leslie Loomans, *Detroit Edison*; Charles McCrea, *Southwest Gas*.

1987



Harlan Dellsy, *Commonwealth Edison*; Conrad Faulk, *MSU System Services*.

1987



Trevor Carmichael, *Attorney-At-Law*, Barbados.



1991



Front row, from left, Paula Maixner, Nevada Power Company; Susan Clark, Portland General Corporation; and Claire Shortall, Central Louisiana Electric Co.

1991



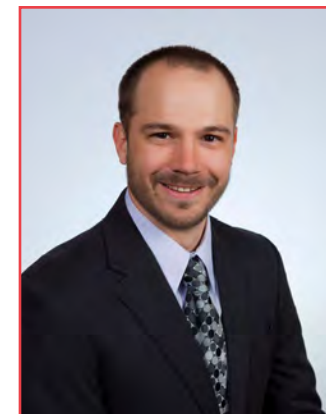
Standing, from left, Huns Gustrowsky, Wisconsin Power & Light; Jim Brackney, Kentucky Utilities Company; and Bill English, also Kentucky Utilities. Seated, from left, Jeff Mingori, Central and South West Services, Inc., and Chuck Provenza, Southwestern Electric Power.

Jeff Tkacz, EIM's Vice President - Chief Financial Officer, provided a detailed update on EIM's 2020 financial performance, characterizing it as a "roller coaster" year. The combined impact of COVID-19, investment market swings and, on a more personal note, assuming the role of CFO at EIM, made for an interesting year.

Despite the ups and downs, EIM maintained surplus at just under \$1.2 billion after a net combined ratio of 114%. A 7.5% investment return more than offset the combined ratio, enabling EIM to provide a \$50 million distribution to members in March 2020 and grow surplus by \$36 million. Jeff noted that investing should be like "watching paint dry or grass grow," focused on long-term strategies rather than short-term trading. EIM's three, five and 10-year average investment returns, all at 6%, bear out this approach.

In terms of capital requirements, Jeff stated that EIM's issuance of General Liability policies with limits above \$100 million and an uptick in claim frequency and severity have contributed to an increase in EIM's required capital. While still adequately capitalized, the gap between required capital and actual capital has narrowed.

Despite the roller coaster financial ride in 2020, Jeff confirmed that EIM remains financially strong and capable of responding to member company underwriting and claims needs.



Jeff Tkacz
Vice President –
Chief Financial Officer
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1991



General Manager Gene Weaver prepares to open the 1991 Risk Managers Information Meeting at Innisbrook, near Tarpon Springs, FL.



1996



*David Hadler, EIM,
and Tom Trimble,
Chairman, EIM*

1996



EIM Risk Managers Information Meeting attendees

Having delivered over \$3 billion in gross claim payments since its founding in 1986, Ann Joslin, EIM's Vice President-Claims delivered an update on claim activity. She provided a cautionary note on claims frequency where the total claim count for paid claims has increased by 86% in the last five years, with the total amount of claims payments increasing by 83% during that same time frame.

Of the inception to date claim payments, just over \$1.8 billion related to General Liability, \$850 million to Directors and Officers, and \$360 million to Property. In addition to historical losses occasioned by natural gas explosions and West Coast wildfires, new developments in the GL arena include auto liability claims breaching EIM's traditional \$35M attachment point along with substantial electric contact incidents.

D&O claims have recently involved "tag along" suits associated with significant GL events and unique situations such as plant closures. Property claims continue to be dominated by machinery and equipment breakdown claims. In addition to increased frequency, Ann also reported that approximately one-third of inception-to-date claim payments have been made in the last five years, identifying severity as a potential concern.

Ann highlighted claim-focused meetings with members designed to promote regular communication regarding open claims. She encouraged members to contact her or members of the EIM claims teams to establish a regular dialogue on pending claims.

Ann Joslin
Vice President – Claims
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1996



The former members of the IAC are: seated, from left, Dave Kelly and Joe Yandoli. Standing, from left, Frank Anguilo, Walter Holberg, Ed Ahrens, Dick Tetrault, Len Zawodniak, and Dick Hinds

1996



*Gary Meggs, The
Southern Company*

2001



*From left, Jill Dominguez, EIM, and
Terry Novatnack, PPL and IAC member.*



Noting that 2020 was an “unprecedented year,” Jill Dominguez, EIM’s Vice President - Chief Underwriting Officer, provided an update on underwriting activities.

After reviewing existing attachment points and capacity by line of business, Jill related that EIM was able to meaningfully respond to member company demand for increased capacity in 2020 by providing additional GL limits excess of \$100 million totaling more than \$600 million in the aggregate, a tenfold increase from 2018. In addition, the company saw a 77% increase in new business submissions as the commercial market continued to harden and retrench. While maintaining its rigorous underwriting process for new business submissions, EIM added 10 new members and recognized \$13 million in new business premium, up 30% from 2019, while retaining 100% of its existing membership.

In the face of the pandemic, as well as increased claim frequency and severity and ongoing western wildfire exposure, EIM instituted a number of changes to its underwriting guidelines which are outlined in the accompanying insert. These updates are designed to adapt to market dynamics while continuing to prudently provide the broadest, most responsive coverage to members. All changes to the underwriting guidelines were discussed in advance with the Insurance Advisory Committee and vetted with several brokers.

UNDERWRITING GUIDELINE CHANGES FOR EXCESS GENERAL LIABILITY POLICIES

CYBER LIABILITY COVERAGE

Until 2020, EIM’s Excess General Liability policies were silent on coverage for cyber events. EIM policies now expressly exclude coverage for data breaches and consequential losses associated with data recovery, customer notification and forensic support. Property damage and bodily injury continue to be covered.

CORONAVIRUS EXCLUSION

All EIM Excess General Liability policies now include an express exclusion for coronavirus claims, including COVID-19 and SARS CoV2 related claims.

WILDFIRE SUBLIMIT

In addition to sublimiting wildfire coverage in California, in 2021 EIM will impose a sublimit of up to \$75M for wildfire coverage for exposures in seven states - Alaska, Arizona, Nevada, New Mexico, Oregon, Texas, and Washington. Increasing wildfire frequency and severity in the western United States has compelled the insurance industry (including reinsurers) to limit wildfire exposure in the U.S. as well as other fire-prone areas throughout the world.



2001



From left, Lenore Dubaldo, Williams Communications, and Debbie Gaffney, Southern Company.

In the face of commercial insurance market increases of 25-50%, EIM members, on average, saw dramatically lower rate changes as the company worked diligently to keep rate increases to a minimum. This meant working closely with long-time reinsurance partners to maintain EIM's core excess casualty reinsurance program and ensuring that the critical support from reinsurers remained in place.

Jill concluded her comments by noting that, while evolving in a challenging underwriting environment, EIM remained committed to providing meaningful excess of loss coverage across its core lines of business.



Jill Dominguez
Vice President - Chief Underwriting Officer
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2001



From left, Gerry Hayes, Baker & McKenzie, and Chuck Shivery, Constellation Energy and EIM director.

2001



From left, Scott Sink, McGriff, Seibels & Williams, and Bob Smith, OGE Energy.

2001



From left, Thane Wyman, Willis; Sarah Hardingham, InterGen; and Sandra Imbriani, EIM.

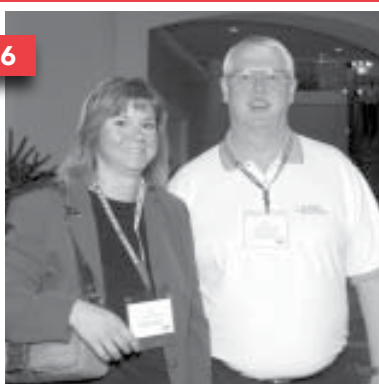
2001



From left, Mike Hulsey, City of Richmond, Dept. of Public Utilities and IAC member; Ani Borgmeyer, FPL Group and IAC member; David Abstance, SCANA; Jim Hess, Duke Energy; and Bill Oldham, Reliant Energy and IAC member.



2006



From left, **Ann Joslin**, EIM staff, and **Fred Burke**, Public Utility Risk Management.

2006



From left, **Jim Hatfield**, OGE Energy and EIM director, and **Mark Dodson**, Northwest Natural and EIM chairman and director.

Randy Martin, Vice President and COO of Energy Insurance Services, Inc. (EIS), outlined EIS' 2020 activities and strategic direction, both of which are fully aligned with EIM. Given market conditions, EIS saw a significant increase in member interest for alternative risk solutions. Randy provided a matrix comparing the traditional risk assessment process with captive risk management analysis, highlighting the flexibility and customization available via alternative risk solutions.

Highlighting the ongoing surplus growth of the 17 active EIS Mutual Business Programs, Randy noted how EIS and Energy Captive Management LLC (ECM) worked with EIM members to adapt and successfully meet the challenges of a hard market. He encouraged members to communicate early and regularly with EIS and ECM to evaluate alternative risk management options as part of their traditional risk assessment exercises. With the addition of quantitative modeling tool actuarial resources that provide a "first-look" analysis for more informed decision-making, EIS and ECM can serve as the "evolution point" to help members tailor their risk management strategies for more effective and economical solutions.

Randy Martin
Vice President - COO of EIS
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2006



From left, **Forrest Strachan**, PJM Interconnection, and **Sandra Hart**, Northwest Natural Gas.

2006



From left, **Natalie Solomon**, McGriff, and **Sandra Imbriani**, EIM staff.

2006



From left, **Dean Jobko**, Mirant, and **Nancy Meunier**, Entergy.



Tommy Bolton closed the company update by emphasizing EIM's commitment to members - now 35-years strong- and the long-term view taken with respect to members' best interests. This includes maintaining a strong balance sheet that provides EIM the flexibility to mold new forms of coverage and reshape existing excess protections while still paying claims in a timely and efficient manner.

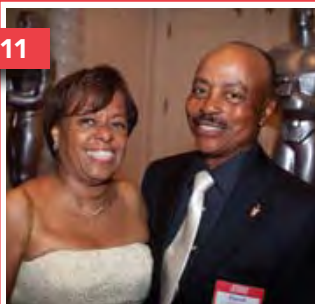
He noted that EIM's investment in information technology, data analytics, and people over the last 24 months positioned the company to meet the challenges of 2020 and evolve for continued success.

2011



From left, Past Director **Kathy White** and **Eileen** and **Jim Hatfield**.

2011



Sandra and **David Kelly**, NiSource (retired) and past director.

The Women In Power group took advantage of the EIM Risk Managers Information Meeting to hold its third annual event. Co-hosted by Cindy Fee, Senior Casualty Specialist, Aon Risk Services, and Jill Dominguez, Vice President - Chief Underwriting Officer, Energy Insurance Mutual Limited, the virtual event brought together 45 participants to engage in conversation with Puget Sound Energy (PSE) President and CEO, and recently appointed EIM Board member, Mary Kipp.

Moderated by Enille Currie, Emera's Inc.'s Manager, Corporate Insurance, the conversation provided a thought-provoking, engaging and empowering look at the career, business philosophy,, and personal interests of PSE's top executive. In addition to charting her broad-ranging career path as an attorney with a large private law firm, FERC enforcement officer, and utility executive at El Paso Electric and PSE, Mary shared that she is a "morning bird" who enjoys her Peloton rides (including a shout-out to Peloton instructor Cody Rigsby!).

Mary noted that her varied career path was, in some ways, reflective of her willingness to take the path less "well-worn" as she adhered to her key tenets of "family first," "make a difference," and "be true to yourself" while always making the best of every situation. She annually prepares a list of her top 3-5 values, strengths and passions and finds that the good weeks are when these three driving principles - what she believes in, what she can have an impact on, and what she is fervent about - align.

Recounting PSE's experience with the COVID-19 pandemic, Mary noted that the first U.S.-based COVID-19 fatality occurred in Kirkland, Washington, part of the PSE territory. She highlighted her participation as a member of the business leadership group, "Challenge Seattle," where some of the Northwest's leading executives with International operations (including Microsoft and Amazon) provided a "postcard from the future" as they recounted their COVID-19 experiences in China and Italy before the virus had reached the United States. "It's always better to learn from others before you go through the experience yourself," Mary stated. She also shared that PSE led with its values as it addressed the pandemic, focusing on its employees, customers and communities.

Lisa Hough, Manager of Risk Management, Omaha Public Power District, moderated a Q&A session where Mary responded to numerous follow-up inquiries that focused on balancing family and work, mentoring and role models.

Many thanks to all who participated in the Women In Power session and a special thanks to Mary for taking the time to meet with the group and for sharing her insights as a woman in power.



Attendees of the Women In Power event gathered near the Grand Cypress Ballroom.



Jill Dominguez introduced the 11th David Hadler Award recipient, Greg Umscheid, retired Senior Director, Risk Manager, at Evergy in Kansas City, Missouri, noting that the annual \$5,000 donation made by EIM to the institute of higher learning selected by the award recipient has generated, almost \$100,000 since inception for use by risk management programs around the United States.

Greg expressed his thanks for the award recognition, observing that “all of us are an extension of David’s legacy.” He discussed the concept of “resiliency” in the context of mutual insurers and shared that long term support is not just the hallmark of EIM, but all mutuals dedicated to the energy sector.

Greg will be donating \$5,000 to Washburn University in Topeka, Kansas, the University of Kansas in Lawrence, Kansas, and Kansas State University in Manhattan, Kansas.

Congratulations to Greg on this well-deserved recognition.

Prior David L. Hadler Risk Management Award recipients include:

- 2011 • J. Gary Meggs**, Risk Manager, Southern Company
- 2012 • Michael J. Anderson**, Director of Hazard Insurance, Xcel Energy Corporation
- 2013 • Jack Hadsall**, Director, Risk Management, City Utilities of Springfield (retired)
- 2014 • Bill Powell**, former Manager, Risk Management & Environmental Services, Salt River Project
- 2015 • Linda Barnett**, Director-Corporate Risk Management, Dominion Resources
- 2016 • Mike Kaminski**, Manager of Corporate Risk Management, WEC Energy Group, Inc.
- 2017 • Robert Frounfelker**, Executive Director of Risk Management, Consumers Energy Company (retired)
- 2018 • Julie Jackson**, Assistant Vice President, Risk Management & Insurance, Targa Resources Corp.
- 2019 • John Mellette**, Manager of Corporate Insurance, SCANA
- 2020 • Deborah S. Gaffney**, Director, Risk Management, Southern Company

2011



From left, **Jim Hess**, Lockton; **Bob Dillard**, Kinder Morgan and IAC member; **Rick Dowling** and **Cheri Murray**, Lockton; and **Robert Hughes** and **Robert Holloway**, CenterPoint.

2011



EIM colleagues were the main attraction at the EIMMY's.

EIM Celebrates 25th Anniversary at Risk Managers Information Meeting

2011



2016



EIM Board Member, Trevor Carmichael

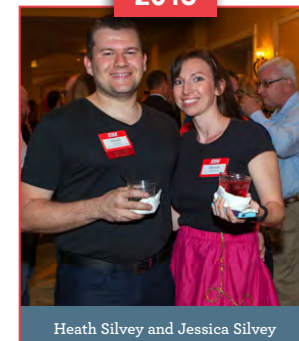
Mike McFarland, Insurance Advisory Committee (IAC) Chairman and Director, Enterprise Risk Management, Great River Energy, along with Stephanie Rogers, IAC Vice Chairman and Director, Risk & Insurance, Plains All American Pipeline, L.P., provided an update on IAC activities, reminding attendees that the IAC mission includes providing feedback to EIM management, responding to requests for information from the Board, and offering insights on market conditions and member company risk management needs to EIM staff. The IAC goal is to regularly liaise with members and provide transparency with respect to EIM operations.

Mike and Stephanie reviewed the results of the biannual 2020 Member/Broker survey, highlighting specific feedback on EIM's capital adequacy, top energy issues facing members, and thoughts on what EIM can do to continue supporting its members. Overall, EIM continues to receive positive feedback from members. Detailed results from the survey will be provided in the June 2021 Members Report.

In addition, Mike and Stephanie outlined the current IAC task forces which include: Cyber, Emerging Risk, Regulatory, Renewables, PRIA (Pandemic Risk Insurance Act), and Nominating. Updates from quarterly IAC meetings are posted on the EIM website and emailed to EIM members, and IAC members are available to directly discuss any subjects of interest with members.

Both Mike and Stephanie encouraged interested risk managers to contact them or Jill Dominguez at EIM if they would like to serve on the IAC.

2016



Heath Silvey and Jessica Silvey

2016



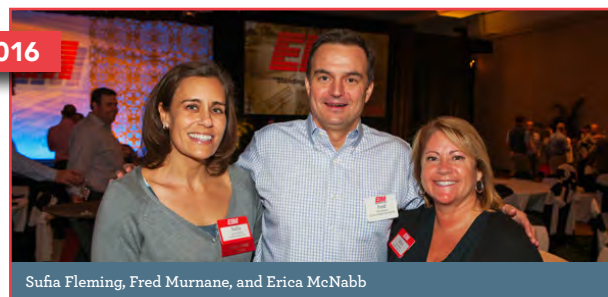
From left: Will Evans, Bryan Oliff, and Michael McCrary

2016



Scott Sink, Mariya Fedorchenko, Kirk Cresto, and Bob Jackson

2016



Sufia Fleming, Fred Murnane, and Erica McNabb



Mike McFarland
Director, Enterprise Risk Management,
Great River Energy
Contact Mike at
mmcfarland@greenergy.com



Stephanie Rogers
Director, Risk & Insurance,
Plains All American Pipeline, L.P.
Contact Stephanie at
ssrogers@paalp.com

2016

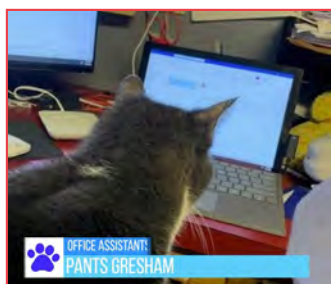
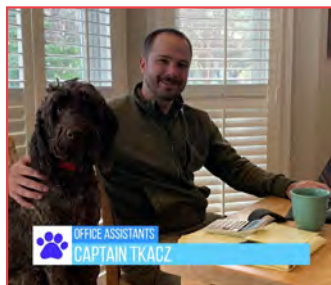
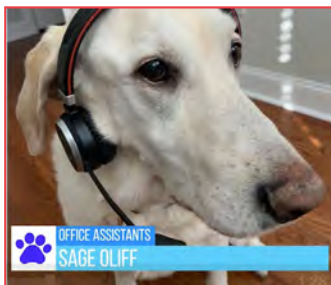


From left: Prentice McIntosh, Bob Smith, Stacy Smith, Scott Leiman, Laura Standifer, and Chris Standifer

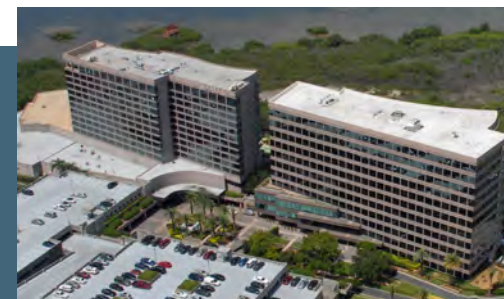
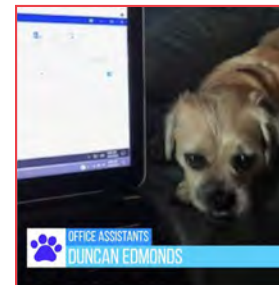
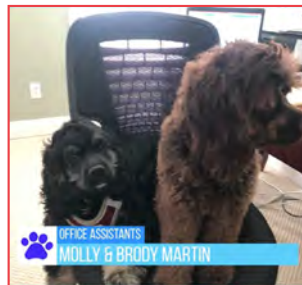
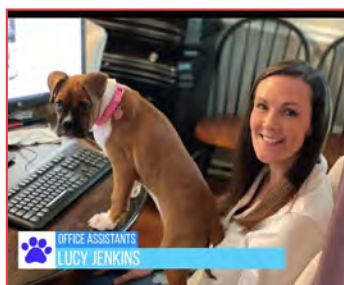
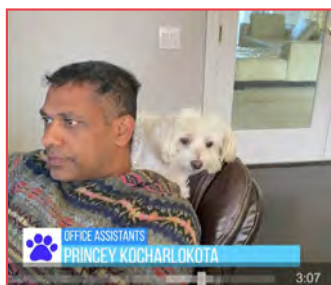
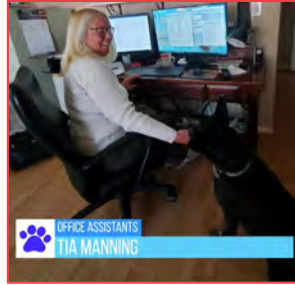




"OFFICE ASSISTANTS"



In years past, the RMIM has closed with a video highlighting attendee events over the three-day conference. This year the closing video highlighted the dedicated "assistants" who stepped up over the last twelve months to make working from home, sheltering-in-place and social distancing much more manageable. To our four-legged (and sometimes two-legged) companions who helped get us through a difficult year, we say, "Thank you!" They made an otherwise challenging year "rebarkable," some might even say, "purrfect."



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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