

MEMBERS REPORT JUNE 2021



Survey Says...IAC 2020 Member Survey



Mariya Coleman Joins IAC



EIS Save the Date



Q1 2021 Financials



New EIM Members



Q1 Financial Commentary



Welcome New EIM Employees



AM Best Update

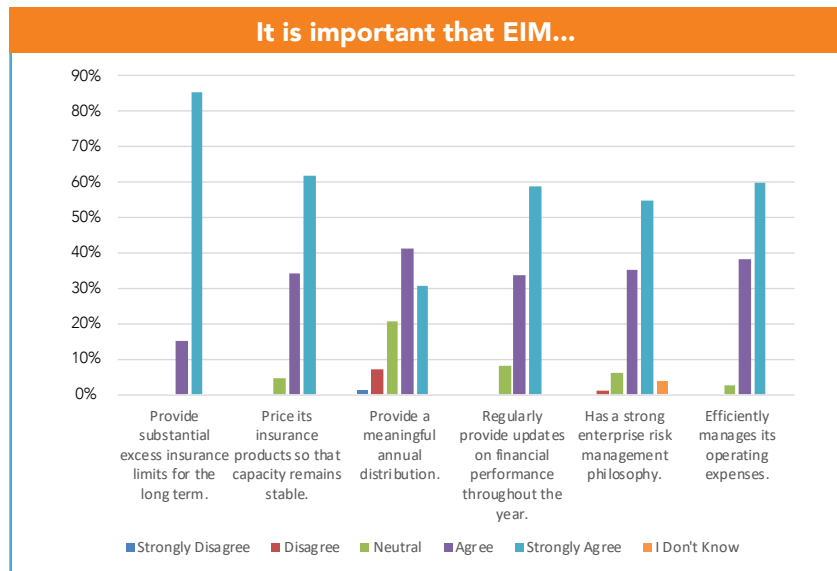


SURVEY SAYS... 2020 IAC MEMBER SURVEY

In 2020, the Insurance Advisory Committee (IAC) completed its biennial member company survey. More than 120 respondents provided meaningful, insightful and constructive feedback on various aspects of EIM’s underwriting, claims, and financial operations. Approximately two-thirds of respondents were member company representatives and one-third were brokers. Unless otherwise noted, responses from both were uniform. The following provides an in-depth overview of survey responses.

THE EIM MISSION

Consistent with prior surveys, respondents overwhelmingly agreed with key tenets underlying EIM’s overall mission. These tenets, set forth in the following chart, include: (1) offering substantial excess insurance limits for the long term; (2) pricing excess insurance products so capacity remains stable; (3) providing a meaningful annual distribution; (4) regularly communicating on financial performance throughout the year; (5) employing a strong enterprise risk management philosophy; and (6) efficiently managing operating expenses.

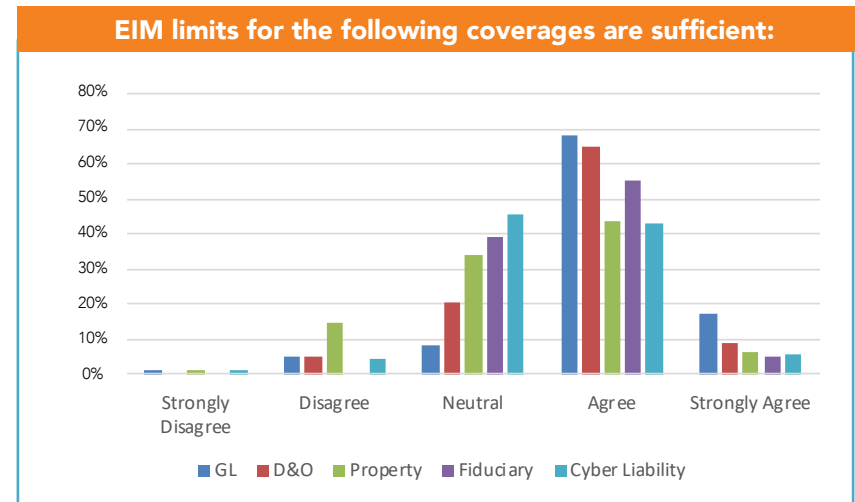


With the exception of providing annual distributions, each mission-related question garnered at least 90% “Strongly Agree” or “Agree” (these two responses combined are variously referred to in this article as “agreed,” “agreement,” or “agreeing”). As in past years, sentiment for a meaningful annual distribution remained significantly lower than the other five tenets, with 71% of respondents agreeing with the statement. This is consistent with the 57% and 70% support offered in the 2016 and 2018 IAC surveys, respectively. The response to annual distributions suggests that survey respondents value financial stability and access to significant excess limits above mandated return of capital.

Overall, 100% of participants agreed that EIM provides a “mutual advantage,” confirming an alignment between members and EIM regarding the key strategic imperatives for the company.

UNDERWRITING

In reviewing limits for EIM’s existing lines of business, respondents generally agreed that current limits were sufficient. However, as the following chart reflects, members continue to look to EIM for additional limits.

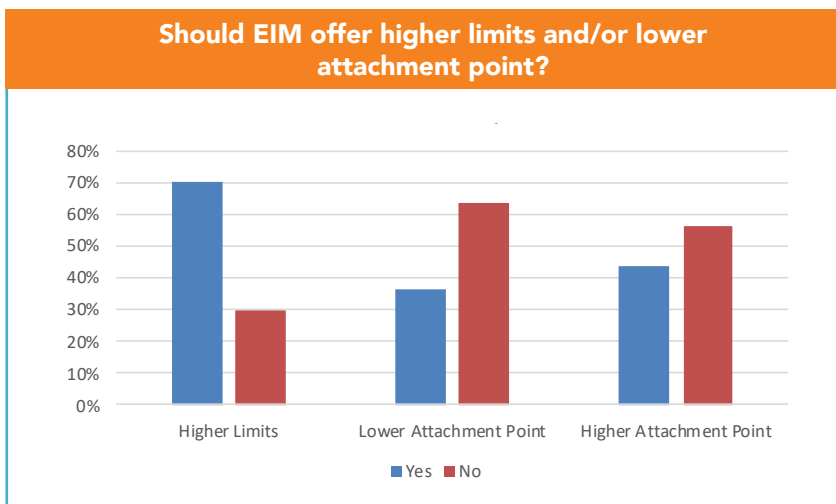


SURVEY SAYS... 2020 IAC MEMBER SURVEY (CONTINUED)

As an example, while 85% of respondents agreed that General Liability (GL) limits were sufficient, around 50% of respondents offered similar support for Property and Cyber limits, reflecting the ongoing need for capacity in both of these lines of business. General Liability likely received strong support because of EIM's ongoing initiative to provide limits excess of its traditional \$100 million per policy capacity. As hard market conditions continue, EIM will look to further support expanded capacity in a prudent and fiscally sound manner.

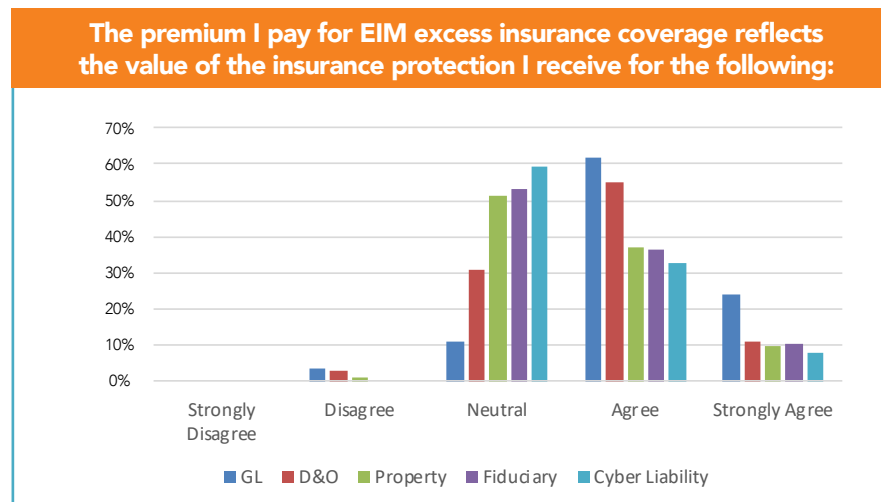
When asked about the need for additional lines of business, the vast majority of respondents replied that none were needed and/or suggested that EIM should continue to focus on its existing lines of business.

Consistent with 2018 survey responses, 71% of respondents supported the notion that EIM offer higher limits (compared to 59% in 2018), while 63% and 56% replied that EIM should not consider lowering or raising attachments points, respectively.



The hard market appears to account for the uptick in support for increased limits, while EIM's traditional \$35 million attachment point remains widely supported.

Regarding whether premium reflects the value of the insurance protection received, survey participants had varied responses depending on the line of business purchased.



Given current market conditions and overall EIM limits offered, it is not surprising that EIM's GL coverage prompted 86% agreement on value received, with EIM's second largest line of business, Directors and Officers (D&O), receiving 66% agreement. Disagreement on these two lines of business totaled less than five percent, with remaining GL and D&O responses falling in the "neutral" category.

Property and Fiduciary each garnered 47% agreement with 50% neutral, followed by Cyber Liability with 41% agreement and 59% neutral responses.



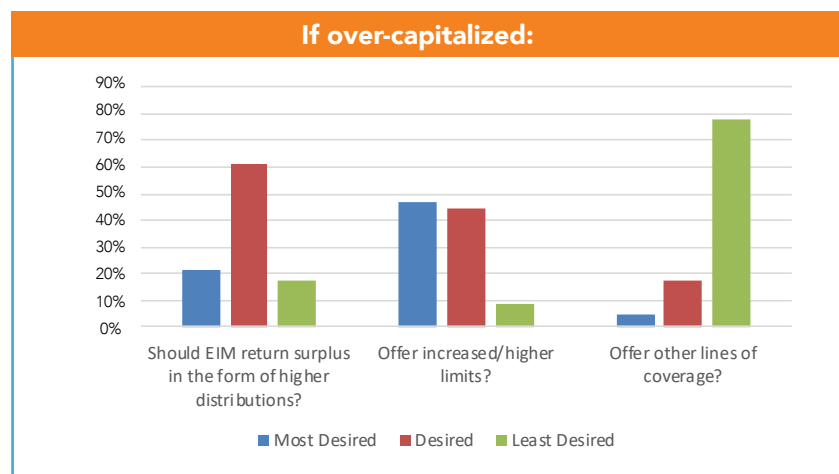
SURVEY SAYS... 2020 IAC MEMBER SURVEY (CONTINUED)

Sentiment on the GL quota share capacity offered jointly by EIM and Nuclear Electric Insurance Limited (NEIL) was very positive, particularly for members/brokers seeking large tranches of GL capacity. Overall, members support additional shared limits as a welcomed alternative to meet constricting commercial market capacity.

In terms of EIM staff professionalism and communication, 96% of respondents agreed that EIM staff kept them apprised of developments within the organization, while 98% of survey participants recognized that EIM staff are knowledgeable and professional.

FINANCIAL

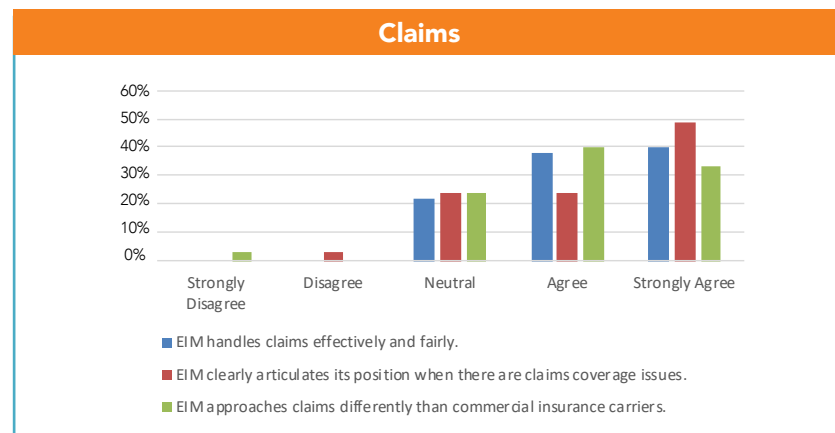
Respondents overwhelmingly stated that EIM was adequately capitalized (96%) with four percent concluding that EIM was over-capitalized. In a follow-up question focused on over-capitalization, 47% of respondents identified increased/higher limits as the “most desired” course of action, with 22% ranking return of capital as the “most desired” result. Only 4% ranked additional lines of business at the top of their wish-list. However, 61% of respondents identified return of capital as a “desired” action, with 44% citing additional limits. When “most desired” and “desired” outcomes were combined,



additional limits received 91% support, with return of capital totaling 83%. In terms of “least desired” actions, additional lines of business headed the list at 78%.

CLAIMS

Of the slightly less than half of respondents who have experienced claim activity, 78% agreed that EIM effectively administers claims, while 73% agreed that EIM both clearly articulates its position on claims coverage and handles claims differently from the commercial markets. Both of these responses are consistent with the 73% of respondents who agreed that EIM claim handling differs from that of commercial carriers.



In addition, 72% of survey participants agreed that they understood that claim payments could impact the premium charged on their coverages.

As members experience increased claim frequency, EIM’s claim administration process will receive greater scrutiny, making communication between EIM and its members along with effective claim resolution of paramount importance.

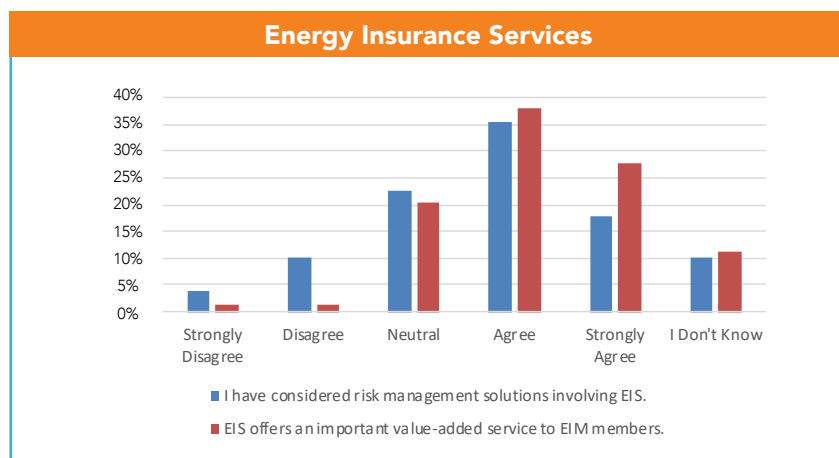


SURVEY SAYS... 2020 IAC MEMBER SURVEY (CONTINUED)

ENERGY INSURANCE SERVICES

As markets have hardened, more EIM members are examining possible manuscripted risk management solutions to bring greater efficiency to their insurance portfolios. Thus, it was not surprising, as depicted below, that over half (53%) of respondents agreed that they had considered Energy Insurance Services (EIS) protected cell alternatives. Brokers reported a slightly higher level of interest with 62% agreeing that they had considered EIS-based alternatives for their clients.

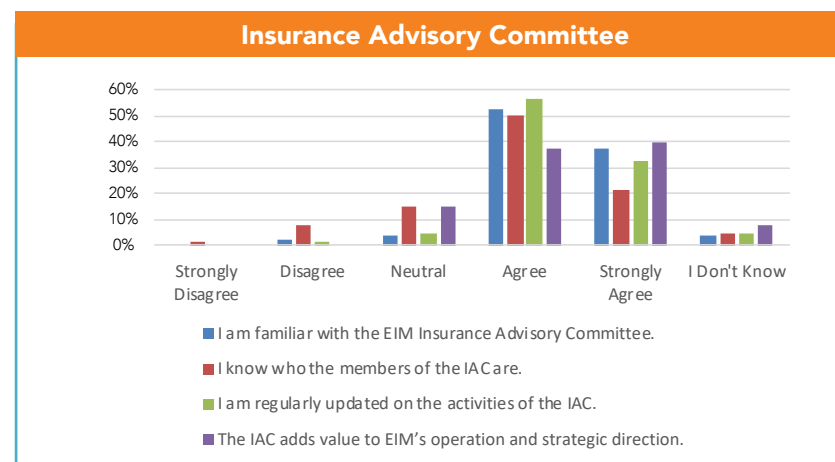
Similarly, 57% of members supported the proposition that EIS provides value-added services. And again, brokers responded slightly more positively to the value-added question, with 67% answering affirmatively.



Overall, EIS continues to receive solid support from those members seeking to expand their risk management options by taking advantage of tailored solutions designed to meet specific risk management needs. Those members who have availed themselves of EIS products and services have seen clear value in these transactions.

INSURANCE ADVISORY COMMITTEE

When asked about their familiarity with the Insurance Advisory Committee (IAC), 90% of survey participants responded affirmatively. As set forth in the following chart, 71% of survey participants know the IAC members with 89% confirming that they are regularly updated on IAC activities.



The IAC continues to be recognized as an integral part of EIM's overall operations, with 77% of respondents agreeing that the IAC adds value to the company. With the increase in new EIM members over the last three years, the IAC will be making a concerted effort to ensure that IAC representatives connect with new member companies and keep them abreast of Committee activities.

As in prior years, the Energy School was well-received by respondents with 95% agreeing that the School provides value to members. However, only 39% of respondents relayed an intent to



SURVEY SAYS...

2020 IAC MEMBER SURVEY (CONTINUED)

send a representative to the Energy School, reflecting the operational demands currently faced by members as a result of the pandemic and their ability to dedicate staff to the week-long Energy School curriculum. In addition to scheduling the School every two years, the IAC is looking at ways to streamline the School agenda while maintaining the value provided to participants. The next Energy School will be held in May 2022.

WHAT THE FUTURE HOLDS

The survey asked about issues facing the energy industry and drew a wide variety of concerns (outlined below), many of which have been highlighted in prior surveys.

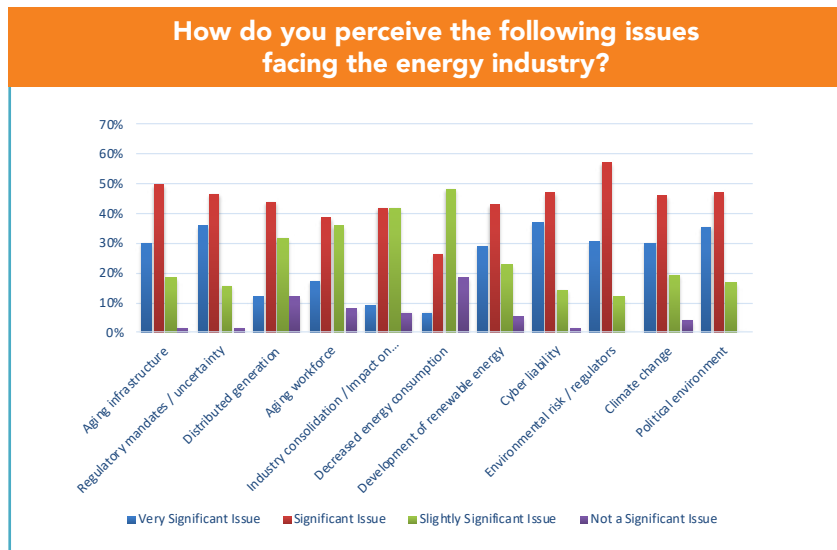
Topping the list of most commonly identified issues were: (1) regulatory/political environment; (2) aging infrastructure; (3) cyber liability; (4) climate change; and (5) renewables, all of which represent historical concerns articulated by energy professionals.

It is clear that these highlighted industry issues will be driving the risk management strategies of EIM's member companies who, in turn, will be relying on EIM to provide meaningful solutions.

To this end, survey participants were asked what adjustments EIM must make to remain responsive to its members. The common theme provided by respondents was: (1) continue to communicate with members on a regular basis; (2) work to maintain and enhance capacity; and (3) focus on consistency in terms of financial stability, underwriting efforts, and claims administration.

The survey results were very helpful and will assist EIM and the IAC to build out the operational road map for the upcoming years as EIM and the IAC continue working to provide meaningful excess insurance support for members.

**Thank you for taking the time to participate in the survey.
We are a stronger company because of your feedback.**



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Q1 FINANCIAL COMMENTARY

A SOLID START TO THE YEAR

Energy Insurance Mutual Limited ("EIM") recorded a gain on surplus of \$17.0 million for the three months ended March 31, 2021 compared to a loss of (\$79.7) million for the same period in 2020. EIM recorded income from underwriting of \$3.2 million compared to a loss of (\$1.0) million in the prior year. Investment income totaled \$17.5 million for the first three months of 2021 compared to a loss of (\$100.6) million for the same period in 2020. Current year investment results were impacted by favorable equity market performance.

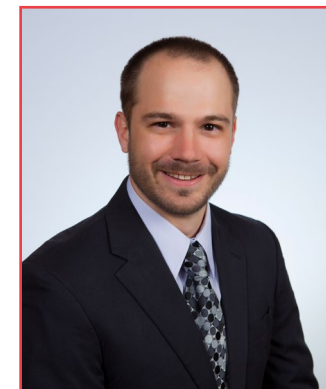
Highlights from 2021 include:

- Distribution of \$50.0 million paid in March 2021.
- Policyholders' Surplus of \$1.2 billion, an increase of \$17.0 million or 1.4% for the year.
- Combined ratio of 94.2% for the first three months in 2021, compared to 102.0% for the same period in the prior year.
- Membership retention of 99% was achieved in the first three months of 2021.

EIM's return on investments of 1.05% compared to a benchmark return of 0.98%. The return is a result of gains on US equities of 6.47%, international equities of 4.54%, alternative investment securities of 1.57%, and losses on fixed income securities of (1.26%).

In March 2021, EIM paid a \$50 million distribution to qualifying members of record, bringing total distributions to \$368 million over the last 10 years. The Board will continue to assess EIM's available capital over the course of 2021 to determine if a supplemental distribution is in order. Given the challenges of post-pandemic recovery, increased capacity provided to members, and higher frequency in claim activity, a 2021 supplemental distribution will be challenging.

Overall, a solid start to 2021.



Jeffrey Tkacz
Vice President - Chief Financial Officer
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OCT
25-28

SAVE THE DATE



Energy Insurance Services is currently planning an in-person Program Advisory Committee (PAC) conference this year at the Hyatt House in downtown Charleston, South Carolina from October 25-28.

The General Session will take place on Tuesday, October 26, followed by individual PAC meetings through Thursday. The General Session will address current issues in the alternative risk arena as well as update PAC representatives on operational, financial and regulatory matters relating to South Carolina in general and Mutual Business Programs in particular.

We look forward to seeing you in Charleston in October where we can rekindle longstanding partnerships, enjoy some exceptional southern hospitality, and take advantage of the many activities, venues and history offered by one of South Carolina's leading cities.

More detailed information will be forthcoming. In the interim, SAVE THE DATE!

See you in Charleston!



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Vice President - COO of EIS
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*Mariya Coleman, CPCU, ARM
Director of Corporate Insurance
Berkshire Hathaway Energy*

Mariya Coleman, CPCU, ARM, Director of Corporate Insurance at Berkshire Hathaway Energy has joined the Insurance Advisory Committee (IAC).

Mariya's Risk Management background includes experience in marketing insurance programs and alternative policy structures, as well as understanding and analyzing operations while keeping risk in mind. With a broad range of knowledge related to insurance programs, Enterprise Risk Management, business and profitability analysis, captives and project organization, Mariya supports a diverse spectrum of business needs.

Her knowledge and experience is supported by extensive study in Finance and Accounting, along with an ongoing commitment to professional education. Mariya has Bachelor of Science and MBA degrees in Finance, both earned at the University of Nevada - Las Vegas. She has received her Associate in Claims (AIC), Associate in Risk Management (ARM), and Chartered Property and Casualty Underwriter (CPCU) designations along with a Graduate Certificate in Renewable Energy from the University of Nevada, Reno.

Mariya is looking forward to serving on the IAC, stating, "I believe EIM's Insurance Advisory Committee serves as a valuable connection between members and management. The group helps EIM's strategic mission be better communicated to the membership and for the business needs of the membership to be directly communicated to the executive team. All in all a valuable enterprise to keep both groups engaged with each other's industry needs, business trends and objectives." Welcome aboard, Mariya!

AM BEST AFFIRMS EIM'S "A" RATINGS



AM BEST AFFIRMS EIM'S "A" RATINGS On June 18, 2021, AM Best affirmed EIM's Financial Strength Rating (FSR) and Long-Term Issuer Credit Rating (ICR) of "A" (Excellent) and "a" (Excellent), respectively. The outlook of the Long-Term ICR has been revised to stable from positive, while the outlook of the FSR remains stable. In affirming both ratings, AM Best noted that it assesses EIM's balance sheet as "strongest," along with the company's "adequate financial performance, neutral business profile and appropriate enterprise risk management." Further supporting EIM's ratings, AM Best observed that EIM's stable Long-Term ICR outlook "reflects overall favorable operating performance" which is expected to "continue to enhance the company's already solid balance sheet strength, despite the volatile nature of the business it writes." In addition to strong member retention, AM Best noted that, "The company remains committed to growth in capital and surplus, a well-diversified investment portfolio, and a focus on the long-term stability of the organization for its members." EIM is gratified by the confidence expressed by AM Best and is pleased to continue offering excess insurance capacity that has been continuously rated "Excellent" by AM Best since 1993.





ALTALINK

AltaLink is Alberta's largest regulated electricity transmission company, connecting homes, farms, businesses and industries to the electricity generated across Alberta. Electricity generated from thermal energy, wind power and hydro is transported at high voltages over long distances through transmission lines to substations, which lower the voltage so electricity can be safely distributed to homes and businesses. With more than 750 employees, AltaLink provides innovative technical and financial solutions to enable Alberta's growing electricity market.

CHESAPEAKE UTILITIES CORPORATION

Originally founded in 1859 as Dover Gas Light Company, Chesapeake Utilities Corporation, headquartered in Dover, Delaware, is a diversified energy company focused on delivering outstanding service and attaining sustainable growth that generates long-term value for its employees, customers, investors, and other stakeholders. Chesapeake's regulated energy businesses include natural gas distribution and transmission operations on the Delmarva Peninsula and in Florida, and electric distribution operations in Florida. Chesapeake's unregulated energy businesses include its propane distribution operations, mobile gas transport services, natural gas infrastructure in Ohio, and a combined heat and power plant on Amelia Island in Florida.





WELCOME TO THE TEAM

JEFF KING

Interests in music and computers converged at an early age for Jeff King, EIM's newly hired Senior Systems Developer, who joined the company in December 2020. Jeff began playing guitar at the age of four and started writing computer programs at the age of 10. He pursued both interests while growing up in Flint, Michigan and formally studied music with Dick Gordon, Jr. in Tulsa, Oklahoma.

While living in Tulsa, Jeff, who plays guitar, piano and the drums, performed with Wayman Tisdale and Tom Braxton and served on the selection committee for the Greenwood Jazz Festival, an annual three-day event featuring internationally renowned jazz musicians.

Ultimately, Jeff's interest in computers outpaced his love of music and he worked for 10-years as a software developer with Michigan Highway Signs, a full service Department of Transportation sign manufacturer located in Flint. By 2019, the cold Michigan winters drove Jeff and his wife, Tonya, to Florida, a state always high on their wish list of places to live, where they settled in Palm Harbor, just across the bay from Tampa. Despite the move, Jeff remains a die-hard Detroit Lions fan!

When he was contacted about the EIM developer position, Jeff was struck by the similarities between EIM and his former employer where a small group of Information Technology professionals worked to maintain and enhance home-grown systems specially tailored to the company's unique operational needs while also maintaining essential off-the-shelf applications provided by third parties. Jeff's on-the-job experience coupled with strong mentors, along with decades of self-taught learning, position him well to meet the unique development requirements at EIM.

While music has taken a back seat to systems development, Jeff stays active on the music front by continuing work on his book, entitled, "Chordially Yours," an in-depth analysis of music and chord theory for any instrument capable of playing chords. He hasn't sampled the music scene in the greater Tampa Bay Area, preferring instead to continue honing his development skills. That doesn't stop him, however, from periodically thinking about how much fun it would be to do a live concert on Clearwater Beach!

We welcome Jeff to EIM and know that his software development skills will be music to our ears.





WELCOME TO THE TEAM

ILDUARA ZELLER

Ilduara Zeller joined EIM as an Executive Assistant in April 2021 from McKinsey & Company, where she supported two Consulting Partners in Sales and Operations. Prior to her tenure at McKinsey, Ilduara was the Office Manager for the Dominican Republic operations of Theorem Creations, a New Jersey-based digital marketing firm.

Ilduara was born in the United States while her father was employed at Fort Benning, Georgia. She returned to Santo Domingo, Dominican Republic when she was three years old, growing up there and receiving degrees in Business Administration from Pontificia Universidad Católica Madre y Maestra (PUCMM) in Santo Domingo, along with a Masters in Project Management from ESDEN Business School in Madrid, Spain.

Ilduara comes from an entrepreneurial family and recalls as one of her most challenging and educational experiences when, at the age of 19, she ran her mother's companies specializing in real estate investments and maternity clothing lines for six months while her mother was in Argentina. Her time running the companies confirmed her interest in business operations and finance, areas which she pursued in college and graduate school.

In 2016 Ilduara, who has dual citizenship in the United States and the Dominican Republic, returned to the U.S. with her husband, Marino, an architect who quickly found work with a Tampa-based firm. Florida topped their list of areas in the U.S. to live, and they have resided in Riverview, Florida for the last five years with their two daughters, Ilduara Celia (seven) and Marianna (five).

Ilduara was not familiar with EIM nor did she have a particular focus on the energy business, but she was excited at the thought of working for a smaller company where she could contribute across the organization and build personal relationships with her co-workers and EIM member companies. Her combined business operations, project management, and accounting background will serve her well as she works closely with EIM's executive team. In Ilduara's words, "Only two months and I already feel part of the EIM family."

In their free time, the Zeller family enjoys the beach, visiting the many Florida theme parks, and spending time with family, friends and neighbors. We couldn't be happier to have Ilduara as part of the EIM team.



Balance Sheets

(Expressed in Thousands of U.S. Dollars)

	03/31/21	12/31/20
Assets		
Investments	\$ 1,846,927	\$ 1,783,820
Cash and cash equivalents	22,191	58,644
Reinsurance recoverables on losses	390,022	461,929
Prepaid reinsurance premiums	45,797	53,754
Premiums receivable	8,648	20,109
Income taxes recoverable	24,708	27,162
Other assets	9,734	9,514
Total assets	\$ 2,348,027	\$ 2,414,932
Liabilities and policyholders' surplus		
Reserves for losses and loss adjustment expenses	\$ 940,054	\$ 905,086
Unearned premiums	125,665	181,141
Reinsurance premiums payable and funds held	3,212	18,085
Net deferred tax liability	60,776	58,815
Policyholder distributions payable	-	50,000
Accounts payable and accrued expenses	12,637	13,087
Total liabilities	1,142,344	1,226,214
Total policyholders' surplus	1,205,683	1,188,718
Total liabilities and policyholders' surplus	\$ 2,348,027	\$ 2,414,932

Statements of Income YTD

(Expressed in Thousands of U.S. Dollars)

	3/31/21	3/31/20
Underwriting revenue		
Net premiums earned	\$ 54,060	\$ 50,455
Other underwriting income	1,093	756
Total underwriting revenue	55,153	51,211
Underwriting expenses		
Net losses and loss adjustment expenses	47,276	47,062
Policy acquisition costs	884	906
Administrative expenses	3,824	4,249
Total underwriting expenses	51,984	52,217
Income (loss) from underwriting	3,169	(1,006)
Investment income (loss)	17,516	(100,581)
Income (loss) before income taxes	20,685	(101,587)
Policyholder distribution	-	-
Income tax expense (benefit)	3,720	(21,883)
Net income (loss)	\$ 16,965	\$ (79,704)



Statements of Changes in Policyholders' Surplus
 (Expressed in Thousands of U.S. Dollars)

	Members' Account Balance	Total Policyholders' Surplus
Balance at January 1, 2020	\$ 1,152,970	\$ 1,152,970
Net income	35,748	35,748
Balance at December 31, 2020	1,188,718	1,188,718
Net income	16,965	16,965
Balance at March 31, 2021	\$ 1,205,683	\$ 1,205,683

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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