

# MEMBERS REPORT JANUARY 2022



**Strategic Plan Update**



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Conference**



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Celebrating 5 Years**



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Kodwo Ghartey-Tagoe**



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Joins the IAC**



# STRATEGICALLY SPEAKING

## AN UPDATE FROM EIM PRESIDENT AND CEO TOMMY BOLTON



**Tommy Bolton**  
President and  
Chief Executive Officer

Developing Our People, each designed to maximize the member experience.

As we developed our three-year strategic vision, we could not have foreseen the upheaval visited upon the world by the COVID-19 pandemic in early 2020. By necessity, our strategy had to change, but we remained true to the overarching tenets of our long-term strategic vision. Jeff Bezos said it best when he observed,

***"What we need to do is always lean into the future; when the world changes around you and when it changes against you — what used to be a tail wind is now a head wind — you have to lean into that and figure out what to do because complaining isn't a strategy."***

We adapted to the new world order in 2020, concentrating on social distancing, virtual meetings and work-from-home protocols, while still focused on our members who were going through their own COVID-related challenges.

While 2021 did not provide a complete return to normal, we were able to resume face-to face meetings, travel to member company and business partner locations, and return to the office on a modified basis. As some level of "business as usual" returned,

Energy Insurance Mutual (EIM) is entering the final year of its three-year strategic plan. When first introduced in 2020, we highlighted four plan elements designed to ensure continued focus on meeting member company risk management needs, timely claims administration, consistent return on EIM capital, and stable financial performance. The four elements included: Engaging Progress, Protecting the Core, Fostering Relationships and

we also adjusted to long-term COVID-driven changes, incorporating them into our day-to-day routine. In short, we leaned in, kept the complaining to a minimum, and figured out how to continue providing excellent service to our members. The end result was staying on course for our original three-year strategic plan.

### ENGAGING PROGRESS

The better part of 2020 and early 2021 were spent adjusting to a work-from-home business platform that required acquisition of new technology and adjustments to existing tech frameworks to accommodate remote workplaces, virtual meetings and electronic communication. While EIM's strategic commitment to new technology designed to streamline and enhance day-to-day operations remained in place, greater emphasis was placed on ensuring that the work-from-home paradigm functioned effectively and efficiently.

At the same time we did not lose sight of our commitment to advancing our technology platforms. We enhanced a number of EIM's proprietary claims and accounting functions, as also updated various third-party accounting software.

### PROTECTING THE CORE

Without financial stability, EIM cannot provide responsive excess insurance and alternative risk management solutions to members. For that reason, we continued to take a very conservative approach to managing assets, including loss reserves and surplus. The investment portfolio of \$2 billion is carefully positioned, with more than 50% dedicated to fixed-income instruments, and provided more than a 4% return in 2021.

As we have communicated previously, the company strives to write to a net loss ratio of 90%, leaving about 10% of revenue to cover

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expenses. With a combined ratio of just under 100% for the first nine months of 2021, EIM is on course to meet this objective. The 4% investment return has allowed us to grow surplus by \$59 million. We are hopeful, subject to final board approval, to declare an annual distribution for the 2021 fiscal year, which will bring inception to date distributions to more than \$600 million.

Claims reporting has remained active in 2021, particularly for precautionary (Category 1) claims that are monitored for potential development to Category 2 or 3 classifications that require expense or indemnity reserves. We recognize that EIM is in business to pay covered claims incurred by members and understand that efficient claims administration is an essential element of our strategic plan. Even with the uptick in claims activity, which has also translated into higher reinsurance costs, EIM has worked hard to balance premium charged against expected losses.

Despite the pandemic, an active claims environment, and a volatile investment market, the company's financial foundation remains strong. EIM's ability to protect its core assets was again highlighted by A. M. Best, which reaffirmed the company's "A" Financial Strength rating with a Stable Outlook earlier this year, noting EIM's commitment to a rigorous enterprise risk management process.

## FOSTERING RELATIONSHIPS

There is no more important relationship than the one between EIM and its members which is grounded in the commitment to provide utilities with significant excess insurance limits and long-term, stable pricing. EIM's 2021 retention rate of 99% and its 161 members (of which 84% have been with EIM for five years or more), are evidence of this longstanding pledge. While EIM saw a record number of

submissions over the last two years, our selective underwriting process ensures that only those entities that embrace the mutual concept are accepted for membership.

Energy Insurance Services (EIS) has played an equally important role in providing members with meaningful risk management solutions. The company currently insures 16 Mutual Business Programs (MBP) with combined assets of \$2 billion.



While we have seen changes in our relationships with mutual peers, we continue to work together and share ideas on better servicing our members. In May 2021, EIM ceased to front excess General Liability (GL) business for NEIL (which formed a Bermuda subsidiary and is writing on its own paper), while maintaining existing quota share arrangements that provide members with excess GL capacity up to \$150 million.

What is perhaps most gratifying is our return to in-person meetings. In October 2021 we successfully reconvened the EIS annual PAC Conference after a one year hiatus and are looking forward to the return of our annual Risk Managers Information Meeting this February in Orlando. The Energy School, co-sponsored by AEGIS, EIM, NEIL and OCIL, will return

to Florida State University in 2022 as well. Relationships are an indispensable component of EIM's business platform and the ability to interact face-to-face is essential.

## PEOPLE

The focus on people over the last 18 months has centered on ensuring that everyone had the tools required to effectively meet the challenges posed by COVID-19. This meant creating an environment where the staff had the necessary equipment, information technology

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## STRATEGICALLY SPEAKING (CONTINUED)

support, and understanding of virtual technologies to work seamlessly from a remote environment with a minimum of disruption or wasted effort. We were fortunate to have virtual capabilities already in place that simply needed to be enhanced during our work-from-home mandate. Everyone in the organization contributed to a relatively smooth transition to working remotely.

We also worked hard to keep EIM staff safe during the pandemic as well as those business partners who we continued to communicate with during the COVID crisis. We were fortunate to enjoy good health, due in no small part to the overwhelming commitment of all EIM staff.

Despite the pandemic, we did not lose sight of our strategic vision with regard to people. Over the last two years we have continued to make progress on broadening in-house expertise and augmenting existing resources. Since 2020, EIM has added in-house actuarial capabilities, deepened information technology knowledge, and broadened captive insurance expertise. At the same time, we remain focused on continuing education for all staff in areas such as cyber security, business ethics, and a healthy work environment.

Maintaining a diverse and inclusive workplace has also been front and center over the last two years as EIM fosters diversity in its hiring process and an inclusive workplace designed to make all staff feel equally involved and supported.

As we enter the final year of our three-year strategic plan, EIM and its subsidiaries are well-positioned for ongoing future success. While our strategic plan never envisioned a worldwide pandemic, we leaned in, adapted and continued to move forward because complaining was not an option.

Contact Tommy at [tbolton@eimltd.com](mailto:tbolton@eimltd.com)



## SAVE THE DATE THE ENERGY SCHOOL

**THE ENERGY SCHOOL 2022**  
May 15-19, 2022

### SAVE THE DATE ILLUMINATING ENERGY RISK MANAGEMENT

Energy risk managers need to keep their skills sharp to meet today's industry challenges, and no one understands the challenges better than utility and energy company risk managers and claims representatives. The Energy School, hosted by AEGIS, EIM, NEIL and OCIL, will shed light on specific challenges facing today's energy professionals. Join risk management experts, industry leaders and fellow professionals for an enlightening symposium.

- Take part in real world scenarios and case study exercises
- Explore opportunities and challenges with experts and colleagues
- Gain a unique perspective of the rapidly changing energy environment
- Acquire additional skills to adapt to upcoming challenges

This program is designed for risk management and claims professionals and will provide knowledge needed in performing and adapting amid the challenges of the industry. Registration will begin in March.



Florida State University



# NEW DIRECTOR KODWO GHARTEY-TAGOE



Kodwo Gharthey-Tagoe has joined the EIM Board, effective November 16, 2021. He serves as executive vice president, chief legal officer and corporate secretary for Duke Energy. Kodwo is the primary legal advisor to Duke Energy's board of directors and senior management, and he leads the Office of the General Counsel, which includes the company's legal, corporate governance, internal audit, and ethics and compliance functions.

Prior to being named chief legal officer in October 2019 and corporate secretary in May 2020, Kodwo served as president of Duke Energy's utility operations in South Carolina, which serves approximately 760,000 electric retail customers and 148,000 natural gas customers. He was responsible for the financial performance of Duke Energy's regulated electric utilities in South Carolina and managing state and local regulatory and government relations, and community affairs. He also had responsibility for advancing the company's legislative and regulatory initiatives related to its electric operations.

Joining the company in 2002 as chief regulatory counsel for Duke Power, Kodwo has held numerous positions in the legal department covering several areas of legal services to Duke Energy. He served as Duke Energy's senior vice president of state and federal regulatory legal support; general counsel for litigation; and vice president, legal, for Duke Energy's Commercial Businesses organization. He also served as vice president, legal-state regulation

for Duke Energy's franchised electric and gas business. Before joining the company, Kodwo was a partner with McGuireWoods LLP in Richmond, Va.

Kodwo serves on the board of visitors of Duke University Law School and on the Clemson University President's Advisory Board. He is also on the boards of TreesCharlotte and Charlotte Center City Partners. In 2000, he was appointed by Gov. Gilmore of Virginia to serve on the board of visitors of Virginia State University, one of the nation's most venerated historically black institutions of higher learning. He served on that board for three years.

In 2013, Kodwo received the Diversity Champion Award from the Charlotte Business Journal, and the Thurgood Marshall College Fund honored him with an Award of Excellence for his outstanding achievements in the legal profession and his dedication to diversity in the workplace.

A native of Ghana, Kodwo earned a Juris Doctor from Duke University and a Bachelor of Arts degree, with joint honors in economics and finance, from McGill University in Montreal, Quebec. He also completed the Advanced Management Program at the Wharton School of Business. In 2017, he was conferred an honorary Doctor of Humanities degree by Francis Marion University. Kodwo and his wife, Phyllis, have three daughters.

Please join us in welcoming Kodwo to the EIM Board.



# BACK TOGETHER AGAIN

## 2021 EIS PAC CONFERENCE

After a one-year in-person hiatus, Energy Insurance Services, Inc. (EIS) welcomed more than 40 attendees to its 2021 PAC Conference in Charleston, South Carolina. During the week of October 25, attendees enjoyed outstanding weather, along with an agenda that included annual Participant Advisory Committee (PAC) meetings, an informative General Session, and numerous activities highlighting the hospitality of South Carolina's low country.

On Tuesday, October 26, EIS hosted a general session focusing on EIS and Energy Captive Management LLC (ECM) operations while also providing a regulatory update from South Carolina's Department of Insurance (SCDOI) Director, Ray Farmer and an audit update from Johnson Lambert LLC (JLCo). The session closed with a framework for evaluating alternative risk management opportunities and the key drivers considered when assessing alternative risk options.

Randy Martin, EIS COO; Tobias Burke, ECM Chief Accounting Officer; Megan Ogden, ECM Controller; Kim Jenkins, ECM Senior Accountant; and Tameeka Heyward, ECM Senior Accountant opened the session with an update on EIS and ECM operations. Overall, Mutual Business Programs (MBP) continue to show solid growth and strong underwriting and investment performance.



Kim Jenkins reported on various IT enhancements, including the introduction of Microsoft Power BI. This program has the potential to enable ECM to upgrade the MBP dashboard provided to several program participants. In addition to Power BI, the EIS Sage accounting software upgrade to SAGE Intacct is in process with a final roll out planned for early 2022. This will improve financial reporting, streamline bank and investment reconciliations, and accelerate external payments to third parties. Further, the EIS proprietary EPIC platform has been upgraded to version 4, which will assist with annual SCDOI reporting requirements as well as streamline claim settlement and payment approval processes.

Tameeka Heyward reviewed the EIS portal which provides a centralized repository of key information that can be readily accessed by each MBP including: (1) policy history; (2) MBP financials; (3) Participation Agreement and accompanying documents; (4) quarterly and annual financial statements; (5) EIS audited financials; (6) annual PAC meeting minutes, investment policy, and power of attorney; and (7) instructions to access Clearwater investment reports.

Attendees were reminded that EIS adopted anti-money laundering (AML) policies in August 2021. These guidelines require designation of an AML compliance representative along with in-house training for all EIM/EIS/ECM staff. Counterparty identification and a due diligence process are in place as are procedures for external reporting and independent audit review to ensure implementation and compliance of AML procedures. While EIS has not experienced any AML issues, these preventive measures will ensure the ongoing integrity of EIS transactions.

Attendees were pleased to welcome SCDOI's Director, Ray



# BACK TOGETHER AGAIN

## 2021 EIS PAC CONFERENCE (CONTINUED)

Farmer for an update on the captive market in South Carolina. It was an honor to have the Director address attendees and reflected the importance of EIS in the South Carolina captive industry. The state continues to be leader in the captive space nationwide with EIS serving as an exemplary model of a successful South Carolina captive insurance operation. Director Farmer emphasized South Carolina's commitment to the captive industry, as the state focuses on growth based on quality, not quantity.

Alex Murray, Principal, representing JLC Co, provided an update on EIS audit activities, outlining the 2022 MBP audit timetable and underscoring changes in auditing standards. He also highlighted ECM's annual SOC1 Type II report, encompassing the time period January 2021 through October 2021, which provides an opinion on the fairness of the design and operating effectiveness of internal controls impacting insurance services, cash management, financial reporting, and information technology.

Kregg Guestin, a JLC Co Senior Manager, updated attendees on various tax matters, including the impact of the CARES Act on business operations related to net operating loss carry backs and limitations on business interest expenses. In addition, Kregg discussed the likelihood of a federal corporate tax increase and its impact on MBPs.

The General Session closed with a discussion of evaluating risk financing opportunities using a captive. Key drivers in this decision-making process include: (1) control of coverage (the ability to tailor coverage terms and condition to individual company needs); (2) capacity (the flexibility to expand or

contract limits in accordance with market conditions); and (3) cost/cash flow (capitalizing on the efficiencies of self-managed risk administration). History has shown that well-conceived, prudently operated MBPs enable companies to create a more stable risk management environment while simultaneously building capacity and capital. This type of analysis was used in conjunction with the formation of EIS's most recent MBP as well as the recent expansion of one of EIS's oldest MBPs.

EIS looks forward to next year's PAC conference, scheduled for November 7-10 at The Sanctuary at Kiawah Island, South Carolina, celebrating the company's 30th anniversary.



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# NEW DIRECTOR MARTY LYONS



Marty Lyons joined the EIM Board in November 2021 and shortly thereafter, in January 2022, was named president and chief executive officer of Ameren and a member of the board of directors. Marty was previously chairman and president of Ameren Missouri, a position he held for two years after previously serving 18 years in a variety of positions within Ameren.

As Ameren Missouri president, Marty led Missouri's largest investor-owned energy provider through the COVID-19 pandemic. In his time as president, his team improved customer satisfaction, safety and operating performance. Marty was elected executive vice president and CFO of Ameren Corporation in 2009 and additionally, president of Ameren Services in 2015. He was responsible for all aspects of Ameren's financial affairs including investor relations, financial reporting, accounting, tax, treasury and internal audit. He also oversaw strategy, mergers and acquisitions, enterprise risk management, digital information technology, supply chain and corporate nuclear oversight, among other functions.

As CFO, Marty was responsible for capital allocation and capital markets activities. This included \$1.1 billion of equity financing, \$8 billion of debt financing and multiple credit facility extensions. During his tenure, Ameren's issuer credit rating at S&P and Moody's improved from BBB to BBB+ and Baa3 to Baa1, respectively. Ameren's market capitalization grew fourfold, which along with a 23% increase in the dividend, produced compound annual total shareholder returns of 15%.

Marty was instrumental in the strategic decision to reposition Ameren as a pure-play rate-regulated utility. In 2013, he led execution of the sale of the merchant generation business segment.

Marty earned a Bachelor of Science in business administration accounting from Saint Louis University and holds a master's degree in business administration from Washington University in St. Louis. In addition, he has completed The Advanced Strategy Program at The Chicago Booth School of Business and the Reactor Technology Course for Nuclear Executives at MIT.

Before joining Ameren, Marty was a partner with PricewaterhouseCoopers LLP. He was a member of the American Institute of Certified Public Accountants and the Missouri Society of Certified Public Accountants.

Marty is married and has four children. He has been active within the utility industry having been the past chairman of the Finance Executive Advisory Committee and Chief Accounting Officers Advisory Committee of the Edison Electric Institute. He is involved with various community organizations, which have included the Saint Louis Zoo, City Academy, St. Louis Regional Chamber, the Saint Louis University Chaifetz School of Business, and Washington University Olin School of Business.

EIM extends a warm welcome to Marty.





# SRIDHAR KOCHARLAKOTA CELEBRATES FIFTH ANNIVERSARY



Sridhar Kocharalakota, EIM's IT Director, celebrated his five-year anniversary with EIM in 2021. He was honored that same year by the Tampa Bay Business Journal as CIO of the Year. Sridhar has been a major contributor to EIM's IT infrastructure development since joining the company, taking the organization to new levels of system functionality, security and accessibility. From implementation of a document management system, to installation of multi-level security measures, to transition to a cloud-based IT environment, Sri has been instrumental in elevating EIM, EIS and ECM system capabilities. **Congratulations to Sri for a job well done.**

## GORDON PAYNE JOINS INSURANCE ADVISORY COMMITTEE



Gordon Payne, Director of Risk Management for Fortis Inc., has joined EIM's Insurance Advisory Committee. Fortis, an investor held utility holding company headquartered in St. John's, Newfoundland, is a well-diversified leader in the North American regulated electric and gas utility industry with 2020 revenue of \$8.9 billion and total assets of \$57 billion as of September 30, 2021. The Corporation owns ten utility operations employing 9,000 employees across five Canadian provinces, nine U.S. states, and three Caribbean countries.

Gordon has been a part of the Fortis Risk Management department for ten years and in his current position as Director for the last five. He is a graduate of Memorial University and holds the CIP and FCIP designations from the Insurance Institute of Canada as well as the Canadian Risk Management designation for the Global Risk Management Institute.

"I'm looking forward to working with the Insurance Advisory Committee members and helping address key risk management issues facing our industry," Gordon stated. He added that, "The IAC has long been an important part of EIM's mutuality equation and I am excited to work with other risk management colleagues and EIM management." **Welcome, Gordon!**



## GIVING BACK TO THE COMMUNITY THROUGH METROPOLITAN MINISTRIES

EIM staff donated more than three barrels of food products to the local Tampa charity, Metropolitan Ministries. The donations included more than 400 food items and over \$300 in gift cards. With the impact of the pandemic reducing contributions to the 2021 Metropolitan Ministries Food Drive, EIM's contribution was greatly appreciated and made a real difference over the holidays.

Many thanks to the EIM team for stepping up and giving back to Tampa Bay.



## AMERICAN FEDERATION *for* Children



### EIM TAX DOLLARS AT WORK

In 1998, a young Tampa venture capitalist named John Kirtley learned of the lack of educational options available for low-income children and took matters into his own hands. Kirtley, working with the national Children's Scholarship Fund, created the Children's Scholarship Fund of Tampa Bay to provide privately funded scholarships for low-income children to attend a K-8 school of their choice. In three months, with little publicity, his program received 12,500 applications for 750 scholarships.

In 2001, lawmakers created the Florida Tax Credit Scholarship Program. The program gives corporations credit for redirecting their state tax obligations toward K-12 scholarships that help low-income families send their children to participating private schools or to public schools outside their districts. Florida's business taxpayers earn dollar-for-dollar tax credits while funding K-12 scholarships for children with a financial need.

With tax-exempt nonprofit status under section 501(c)(3) of the Internal Revenue Code and as a state-approved "Scholarship Funding Organization" under Florida Statute 1002.395, the program receives more than \$700 million in tax-credited contributions annually.

Since 2014, EIM has contributed \$183,000 to the program, funding 26 scholarships that have helped students and their families achieve equal opportunity to discover education options that give them the greatest opportunity for success.



## Q3 2021 FINANCIALS

Energy Insurance Mutual Limited (“EIM”) recorded a gain on surplus of \$59.0 million for the nine months ended September 30, 2021 compared to \$22.4 million for the same period in 2020. EIM recorded a loss from underwriting of \$0.2 million compared to a loss of \$24.2 million in the prior year.

EIM had investment income of \$71.3 million for the first nine months of 2021 compared to \$40.9 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 to members of record at December 31, 2020.
- Policyholders’ Surplus of \$1.2 billion, an increase of \$59.0 million or 5.0% for the year.
- Combined ratio of 100.1% for the first nine months 2021 as compared to 115.5% for the same period prior year.
- Membership retention of 99% was achieved in the first nine months of 2021.

EIM’s return on investments of 4.17% compared to a benchmark return of 4.75%. The return is a result of gains on US equities of 14.28%, international equities of 8.99%, alternative investment securities of 5.80% and losses on fixed income securities of -0.04%.

**Jeff Tkacz**

*Vice President - Chief Financial Officer  
Energy Insurance Mutual  
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# Q3 2021 FINANCIALS

As of and For the Period Ending September 30, 2021

## Balance Sheets

(Expressed in Thousands of U.S. Dollars)

	09/30/21	12/31/20
<b>Assets</b>		
Investments	\$ 1,933,403	\$ 1,790,146
Cash and cash equivalents	94,206	58,589
Reinsurance recoverables on losses	529,697	461,929
Prepaid reinsurance premiums	38,941	53,754
Premiums receivable	7,794	20,109
Income taxes recoverable	-	27,162
Other assets	2,802	3,242
<b>Total assets</b>	<b>\$ 2,606,843</b>	<b>\$ 2,414,931</b>
<b>Liabilities and policyholders' surplus</b>		
Reserves for losses and loss adjustment expenses	\$ 1,104,353	\$ 905,085
Unearned premiums	178,947	181,141
Reinsurance premiums payable and funds held	460	18,085
Net deferred tax liability	61,545	58,815
Policyholder distributions payable	-	50,000
Accounts payable and accrued expenses	13,698	13,087
Income taxes payable	148	-
<b>Total liabilities</b>	<b>1,359,151</b>	<b>1,226,213</b>
Members' account balance	1,247,692	1,188,718
<b>Total policyholders' surplus</b>	<b>1,247,692</b>	<b>1,188,718</b>
<b>Total liabilities and policyholders' surplus</b>	<b>\$ 2,606,843</b>	<b>\$ 2,414,931</b>

## Statements of Income YTD

(Expressed in Thousands of U.S. Dollars)

	9/30/21	9/30/20
<b>Underwriting revenue</b>		
Net premiums earned	\$ 164,746	\$ 156,148
Other underwriting income	3,301	2,472
<b>Total underwriting revenue</b>	<b>168,047</b>	<b>158,620</b>
<b>Underwriting expenses</b>		
Net losses and loss adjustment expenses	156,249	171,665
Policy acquisition costs	2,594	2,603
Administrative expenses	9,405	8,556
<b>Total underwriting expenses</b>	<b>168,248</b>	<b>182,824</b>
Loss from underwriting	(201)	(24,204)
Investment income	71,277	40,937
Income before income taxes	71,076	16,733
Income tax expense (benefit)	12,102	(5,660)
<b>Net income</b>	<b>\$ 58,974</b>	<b>\$ 22,393</b>





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	58,974	58,974
Balance at September 30, 2021	\$ 1,247,692	\$ 1,247,692

*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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