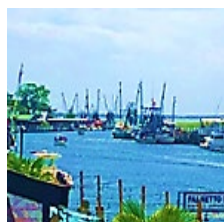


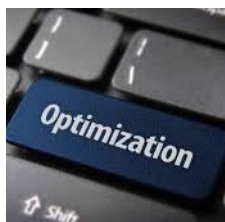


Quarterly Newsletter from Energy Insurance Services, Inc., Volume 7, Issue 4

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## View on the Creek



Thank you to all our participants, prospects, and service partners that attended the 2023 PAC conference in Charleston, SC. We had a busy week of meetings, educational presentations, and networking. We were delighted to see so many familiar faces again and meet some of our new colleagues.

We held 13 PAC meetings throughout the week along with several other prospect and operational meetings.

Our general session kicked off with an update from the EIS/ECM team on the current state of the Company and captive trends. Joseph McDonald, Director of Captives for the South Carolina Department of Insurance, provided a domicile update, and a wonderful investment panel presented a market update and captive investment strategies.

We hope you can join us for the 2024 PAC conference in Charleston on October 28-31, 2024.

In early November, the EIS and ECM team volunteered with the local Charleston Habitat for Humanity chapter. We framed walls and closets for a brand new three-bedroom, two-bathroom home in North Charleston. Since 1989, Charleston Habitat for Humanity has built 94 homes and completed 28 home repairs for families in need in Downtown Charleston, North Charleston, and West Ashley.



## Congratulations to Kimberly Jenkins

Please join us in congratulating Kim Jenkins on her promotion to Controller of Energy Captive Management. Kim has been a key member of the ECM team since 2015. Her hard work and dedication are a fundamental part of EIS's continued success. Way to go, Kim!

## Captive Optima – Captive Investments

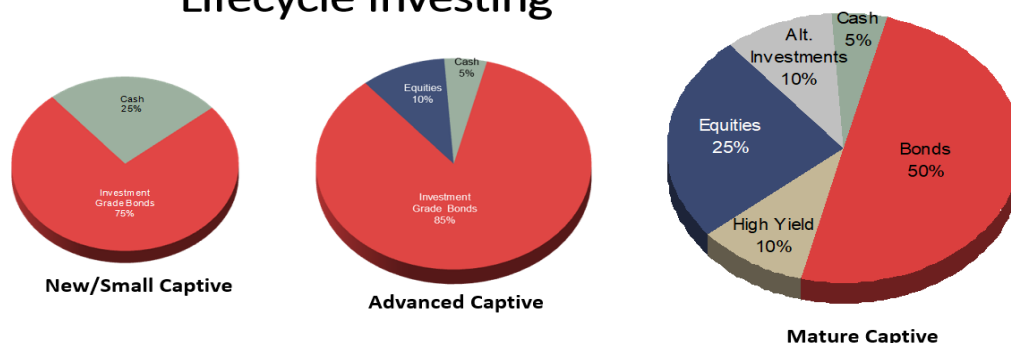


We are very appreciative of our business partners, Merrill Lynch, CapVisors, and Wells Fargo for presenting at the 2023 PAC Meeting Conference on the investment markets, reserve and surplus portfolio optimizations, and fraud emerging trends and best practices. Whether exploring a new cell formation or sitting with a large pot of surplus, it is important to review and implement an investment strategy that meets the needs of the cell's current risks and can evolve as the insurance program changes.

Ralph Evans, Senior VP at Merrill Lynch, provided a market update as of October 2023. The market position is that, "Overall, there remain many crosscurrents across the market and economic landscape. Given both tailwinds and headwinds, we call this market environment "overcast" - not raining and not sunny." These tailwinds include resiliency in the economy, a consistent move to lower inflation, a healthy job market and solid consumer spending. Headwinds, including slower growth paths internationally, negative signals from leading economic indicators and heightened geopolitical risk, will continue to challenge market conditions and performance. Ralph recognizes the complexities captive insurance companies face when making financial decisions. Time in the market matters and a longer investment horizon can be associated with an increased probability of generating positive returns. This philosophy matches well with a captive strategy of long-term commitment and utilization in an insurance program.

Carl Terzer, Principal at CapVisor Associates, specializes in providing investment advisory services exclusively to insurance companies. Carl highlighted the importance of reserve and surplus optimizations and strategic asset allocation when designing and implementing a captive insurance investment policy. The investment strategy often changes throughout the life of the captive as the assets grow and risks change.

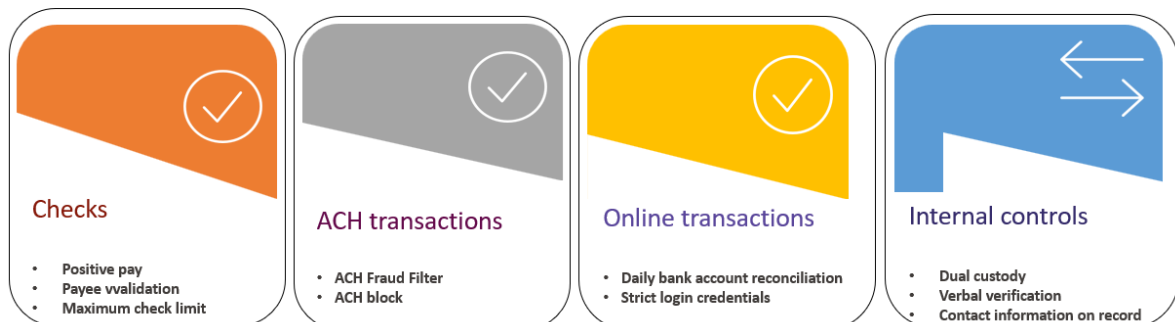
### Lifecycle Investing



The Program Advisory Committee plays a very important role in the investment decisions of an EIS cell. It is never too early to implement an investment strategy to maximize returns and increase surplus.

Jeff Spicer, Director at Wells Fargo, is the Lead Relationship Manager for EIS. Jeff presented emerging fraud risks and best practices in the banking industry along with the top five security trends for the next ten years. All EIS cells have at least one bank account with Wells Fargo. EIS has several controls and processes in place to help mitigate fraud and ensure segregation of assets among the EIS cells.

### EIS Fraud Controls and Processes In Place



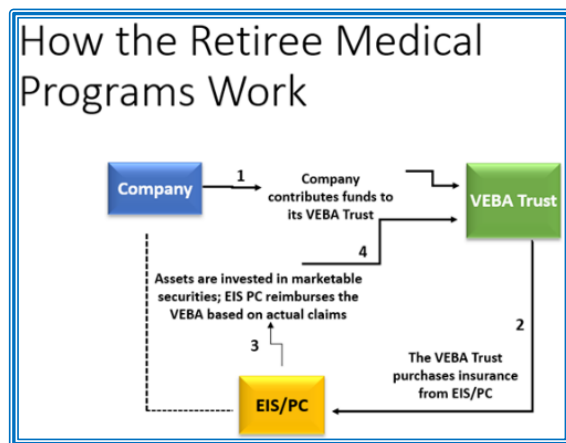
## Focus on Benefits – EIS Trust Owned Health Insurance Program



Energy Insurance Services, Inc. Mutual Business Program No.15, a South Carolina protected cell, is dedicated to write reimbursement insurance policies for retiree medical plans. This program was first conceived and launched in 1996. The policies are structured to cover retirees as defined in a Coverage Population. The population can be both for retirees of pre-65 and post-65 age. Elected cover includes medical and Rx benefits. The policies are called Non-cancellable Accident & Health policies. These insurance policies are treated as life insurance for tax purposes. This allows a tax deferral on the assets held to support the policies.

Each participant/policyholder is treated as a sub-account within the protected cell. This segregates the accounting, banking, and investments from each policyholder, allowing each policyholder to achieve its own respective goals towards financing this risk. The participants share a minimal level of risk (2%) between each of the issued policies. The policyholders are the VEBA Trusts of the Participant companies. VEBAs are separate taxable entities established for the benefit of the sponsor organizations' employees. These policies reimburse a portion of the incurred retiree medical costs.

### The Transaction



A participating VEBA will purchase the Non-cancellable Accident & Health policy from EIS. The VEBA is the policyholder, owner, and the beneficiary. The insureds are the employees. The VEBA trust holds the insurance policy as an asset. By design, the assets of the trust cannot revert to the employer but must be used for the benefit of employees.

The policies are treated as a life insurance policy under an IRS Revenue Ruling allowing the assets of the plan (within the captive cell) to earn interest and dividends tax free creating a highly efficient means to finance this benefit obligation.

The policies in Program 15 determine the level of reimbursement based on the member's Current Benefit

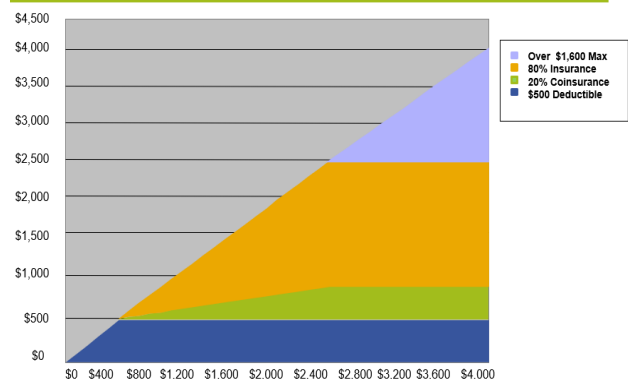
formula. This formula is a "ribbon of coverage" (see the gold layer in the chart to the right) that pays a percentage of claims above a deductible, up to an annual maximum.

### Joining

A company wishing to join MBP 15 must establish and contribute to a VEBA if they do not already have pre-funding in place. A Covered Population is chosen. Modeling of required funding is provided by actuarial and consulting firm Spring Consulting, as contracted by EIS. Additionally, investment advisory services are provided by Merrill Lynch. Once a Participation Agreement is executed and the policy is funded, EIS issues the Non-cancellable Accident & Health policy, specifying a Guaranteed Benefit and program assumptions.

The premium is allocated 98% to the individual member's Separate Account and 2% to the MBP15 General Account. This General Account provides additional risk shifting and risk distribution to meet insurance requirements.

### Retiree Medical Claim Components



## EIS Financials



General Account	As of Sept 30		Year-End		
	2023		2022		2021
<i>In thousands</i>	Actual	Budget	Actual	Budget	Actual
Revenue	\$1,658	\$1,592	\$2,049	\$1,954	\$2,002
Expenses	\$1,262	\$1,330	\$1,929	\$1,819	\$1,856
Surplus	\$4,902	\$4,792	\$4,586	\$4,609	\$4,503

## Save the Date



SAVE THE DATE

EIS PAC Annual Conference  
October 28-31, 2024

The Mills House Hotel  
Charleston, SC

All EIM members are welcome

We'll be back in downtown Charleston at the beautiful and historic Mills House in 2024. Our conference is commencing on Monday, October 28 with the General Session on Tuesday morning. Individual PAC meetings will be held throughout the week, and there will be networking opportunities during the conference.

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