

ENERGY INSURANCE MUTUAL MEMBERS REPORT

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OCTOBER 2009

Board Names Barry Mitchell Acting President, CEO; David Hadler Takes Medical Leave

Tommy Bolton Joins Staff as Controller

Tommy Bolton, CPA, who was born in Greenville, SC, and grew up in Charlotte, NC, joined Energy Insurance Mutual August 1 as the Company's controller.

A 1997 graduate of the University of North Carolina at Charlotte, Tommy most recently was principal, Johnson Lambert & Co., LLP, Charleston, SC, which is EIM's and EIS' auditing and tax consulting firm. He joined Johnson Lambert in 2003.

For two years, Tommy worked in the Cayman Islands,



first as senior associate, Ernst & Young for a year, and then as chief financial officer of Safe Haven, Ltd., also for a year. Safe Haven is a financial services real estate company.

Tommy began his career in 1997 in Charlotte as senior associate, BDO Seidman, an international accounting firm. He worked there until 2001.

Tommy and his family—wife Michelle and sons Thomas, 6, and Jacob, 3—moved to Tampa from Charleston, SC.

Tommy enjoys spending his free time with his family, participating in triathlons, and playing golf.



David Hadler



Barry Mitchell

EIM Board Member J. Barry Mitchell, who retired in May from ComEd, Chicago, was named at the August Board meeting acting president and CEO while long-time President and CEO David L. Hadler leaves the Company on long-term disability. He will retire December 31.

Barry, who was president and chief operating officer of ComEd, was responsible for overseeing the day-to-day operations of that company. ComEd delivers electric service to approximately 3.8 million customers throughout northern Illinois. ComEd has 5,900 employees and revenues of approximately \$6.1 billion.

Barry joined PECO Energy Company, Philadelphia, as an analyst in the finance department in 1971 and progressed through various positions in finance and corporate planning until he was named vice president and treasurer in December 1994. In October 2000, Exelon Corporation was created as a result of a merger between PECO Energy Corporation and Unicom Corporation, Chicago.

Barry then was named vice president and treasurer of Exelon. In April 2002, he was named senior vice president and treasurer; in September 2003, he also was named business unit chief financial officer; and in March 2005, he was named

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chief financial officer. In November 2005, he was appointed president of ComEd; and in September 2007, he also was named chief operating officer.

Barry has been a member of the EIM Board of Directors since April 2000. Currently, he is chairman of the Board's investment committee; vice chairman, nominating committee; and member, strategic planning committee. Barry also has served on the claims and reinsurance committees.

"During this time of transition, we are so fortunate to have Barry Mitchell available to us. He is not only a seasoned utility executive but someone intimately familiar with EIM and its operations," said Jim Hatfield, EIM chairman.

We Wish David All the Best

Dear Fellow Members:

It's life's twists and turns that challenge and sometimes provoke us.

This time a year ago, I anticipated being EIM chairman of the board in October 2009—but not leading a process that will identify the Company's next president and chief executive officer. In that regard, EIM was then in most capable hands, David Hadler's.

For many of us, and I suspect for many of you, David's name and EIM's are synonymous. After all, David has worked with the Company since October 1986 (it was founded that June) and worked for the Company since September 1994.

David was the first non-Board member to hold the CEO title at EIM and was the first (and still the only) employee to be elected to the Board of Directors. That election took place in April 1997. So, all of the current directors except one, including me, joined the Board with David already a sitting member.

David came to us as president and CEO with exceptional insurance experience for a man 48 years old—and an unmatched insight of an organization that was then eight years old but not yet truly tested (before September 1994, EIM had paid \$15.2 million in claims; since then, that number has grown close to \$1 billion).

David will not be replaced easily—the Board's reason for engaging the services of a global recruiting firm, one with extensive experience in the insurance industry. We have all the confidence in the world in the firm we've chosen, but their task will be difficult. David's shoes will not be easily filled.

David and the Board, several weeks ago, began to explore an exit strategy—one that began August 11 with David going on long-term disability. In the best of worlds, the Board will have hired a new president and CEO by the first of the year 2010.

In the meantime, we wish David and his wife Eryl the best and send them our love, admiration, and gratitude. David leaves the Company far stronger than he found it, and he is missed.

Sincerely yours,



James R. Hatfield
Chairman of the Board
Energy Insurance Mutual



Jim Hatfield

From Our Acting President/CEO Barry Mitchell

"The EIM Staff Has Proved Its Mettle in 2009"

In Energy Insurance Mutual's 2008 Annual Report, Chuck Shivery, our immediate past chairman, wrote in the Chairman's Letter: "Energy Insurance Mutual proved its mettle in 2008."

To that, I would add: "The EIM staff has proved its mettle in 2009."

We owe each and every one of them our thanks—especially Jill Dominguez and Sam Garvin who, with David Hadler's approval and agreement on key matters, have shouldered much of the load from early January until the August Board meeting. The staff really is an outstanding group of men and women.

I'm enjoying my time in Tampa. I have scheduled myself to be there a couple of days most weeks, but I'm always available by telephone and e-mail. In early October, I will participate in meetings with the Company's domestic reinsurers, and we may be going to London to visit with reinsurers there.

Also, by the time you read this, I will have participated in the September meeting of our Insurance Advisory Committee in Pittsburgh. Then, there will be a week in Greenville, SC, for Energy Insurance Services' annual conference and individual EIS Program meetings.



Seated, Barry Mitchell. Standing, from left, Sam Garvin and Jill Dominguez.

"While the title indicates that I am 'acting,' please know that we are not just treading water until the permanent CEO is found, hired, and on the job. This is one of the busiest times of the year for EIM—with the evolution of enterprise risk management, meeting with the rating agency, putting the 2010 reinsurance program in place, and all of that leading up to the November Board meeting when we hope to elect EIM's full-time president and chief executive officer.

Elsewhere in this issue of *Members Report*, there is a story about the search process being in highly competent hands, and there is a letter from our chairman, Jim Hatfield, expressing his gratitude to our long-time president and CEO, David Hadler. As a fellow Board member, I add my personal best wishes to David and his wife Eryl. My wife, Beth, and I have enjoyed many wonderful times with the Hadlers. They are missed.

So, in closing this column and these thoughts, I thank our Members for their loyalty, their on-going support, and their understanding as we steer EIM through this time of transition. It is you, the Members, who have made EIM the amazing Company that it has become.

Leading Search Firm Engaged To Identify CEO Candidates

The EIM Board engaged in August one of the largest and oldest executive search firms in the world to handle the process of identifying and hiring the next president and chief executive officer of EIM, according to EIM Chairman Jim Hatfield.

Jim indicated that, "Most importantly, the person handling EIM's search is a managing director of one of the firm's major offices. This person has deep experience in both the utility industry and the insurance sector. He brings process and a timetable that should result in the new person being on board by the first of the year."

The search firm focuses on a selected universe that contains qualified individuals for consideration. The process continues by narrowing the focus to several exceptional candidates who meet the criteria as set by the Board of Directors. The EIM Executive Committee will interview the candidates and then make its recommendation(s) to the full Board when it meets in November.

Variables related solely to the selected candidate, such as his or her obligations to their current employer or personal considerations, may impact the official start date, according to the manager of EIM's search.

Board Approves New Terms for Five IAC Members



John Luley



Bob Semet



Bob Dillard



Debbie Gaffney



Sandi Hart

The EIM Board, at its August meeting, approved new three-year terms for two Insurance Advisory Committee members: John Luley, Pepco Holdings, Washington, D.C., and Bob Semet, Exelon, Philadelphia.

John's term will expire in 2012; Bob's in 2011. In the meantime, Bob Semet has announced that he will be retiring from his company after 36 years and, thereby, from the IAC on November 30.

At an earlier meeting, the EIM Board approved the second terms for Bob Dillard, Kinder Morgan, Houston; Debbie Gaffney, Southern Company Services, Atlanta; and Sandi Hart, Northwest Natural Gas, Portland.

Presently, there are 10 members of the Company's IAC.

Save the Date



IAC Roundup

The results of the IAC's annual Members Satisfaction Survey are being prepared for presentation to the Board at its November meeting and to the Membership shortly after that. While the survey was conducted electronically this summer, the IAC members are each given telephone call lists to encourage Risk Manager Representatives to participate. At this writing, there are 119 respondents.

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At its most recent meeting, the IAC established a new task force to look at limits and attachment points. Working on the task force are Sandi Hart, Bob Dillard, Gary Little, Bob Semet, and Mark Blair. Sandi Hart is the chairman.

■

Julie Jackson, the chairman of the Cyber Liability Task Force, reported in June that Hiscox, the specialist insurer, had indicated that interest in cyber liability insurance was growing. The IAC task force and EIM continue to look at the cyber liability coverage.

■

Randy Martin, chairman of the Carbon Sequestration Task Force, up-dated the IAC in June, noting that several legislative bills are working their way through the Congress. The task force continues to follow this developing issue.

EIM'S Balance Sheet at June 30, 2009

(Unaudited and Expressed in Thousands of U.S. Dollars)

ASSETS	6/30/09	6/30/08
Investments	\$ 997,167	\$ 1,088,903
Cash and cash equivalents	36,066	43,537
Accrued interest	6,301	5,902
Income taxes recoverable	4,998	0
Deferred income tax	28,728	0
Deferred acquisition costs	1,221	1,326
Reinsurance paid in advance	43,881	40,225
Insurance balances receivable	5,527	2,919
Prepaid expenses	710	681
Reinsurance recoverable on unpaid losses	427,287	390,918
Investment in subsidiary	1,686	1,826
Property and equipment	373	604
Total Assets	<u>\$ 1,553,945</u>	<u>\$ 1,576,841</u>
LIABILITIES		
Reserve for losses and LAEs	\$ 948,450	\$ 807,468
Unearned premiums	86,142	83,820
Reinsurance balances payable	10,504	10,460
Deferred income tax	0	37,248
Accrued expenses	2,615	2,312
Income taxes payable	0	4,001
Total Liabilities	<u>\$ 1,047,711</u>	<u>\$ 945,309</u>
POLICYHOLDERS' SURPLUS		
Retained earnings	\$ 491,726	\$ 524,900
Accumulated other comprehensive income	14,508	106,632
Total Policyholders' Surplus	<u>506,234</u>	<u>631,532</u>
Total Liabilities and Policyholders' Surplus	<u>\$ 1,553,945</u>	<u>\$ 1,576,841</u>

Statement of Operations for the Period

January 1, 2009 to June 30, 2009

(Unaudited and Expressed in Thousands of U.S. Dollars)

UNDERWRITING INCOME	6/30/09	6/30/08
Gross premiums earned	\$ 88,449	\$ 91,641
Reinsurance premium assumed	1,443	1,646
Reinsurance premium ceded	(42,212)	(41,141)
Net Premiums Earned	<u>47,680</u>	<u>52,146</u>
UNDERWRITING EXPENSES		
Losses and LAE incurred - direct	34,807	42,525
Losses and LAE incurred - assumed	240	3,980
Reinsurance recoverable	(3,699)	(20,022)
Net losses and LAE	<u>31,348</u>	<u>26,483</u>
Administrative expenses	5,551	5,181
Total Benefits and Expenses	<u>\$ 36,899</u>	<u>\$ 31,664</u>
Income from underwriting	10,781	20,482
Net investment income	16,750	22,981
Income before Policyholders' Distribution	27,531	43,463
Less: Policyholders' Distribution	<u>0</u>	<u>0</u>
Income before income taxes	27,531	43,463
Less: Income taxes	<u>6,547</u>	<u>12,041</u>
Net Income	<u>\$ 20,984</u>	<u>\$ 31,422</u>

Our Newest Board Member

Ed Holland Likes Small Towns and Traditional Golf Courses



of Georgia Power Company. He has been at Southern Company headquarters in Atlanta since 2001.

Ed Holland is Energy Insurance Mutual's newest member of the Board of Directors, having been elected at the Annual General Meeting in April of this year. He currently is executive vice president, general counsel, and corporate secretary of Southern Company—one of EIM's founding Members and one of the largest generators of electricity in the country.

Strong in math and science, Ed graduated high school as a Star Student that provided a small scholarship to Auburn University in southeast Alabama. Active in student govern-

G. Edison Holland, Jr., known among colleagues and friends as Ed, is a small-town fellow who finds himself on the executive floor of a new mid-rise building in downtown Atlanta—a building prominently displaying a Southern Company logo that is visible to the thousands and thousands of cars that pass by daily on Interstates 75 and 85 South.

The small towns include Forest City, NC, where Ed was born; Mexico Beach, FL, in the state's panhandle, where the family moved when Ed was five; nearby Port St. Joe, where Ed graduated high school in 1971; Auburn, AL, for college; Charlottesville, VA, and the University of Virginia where Ed completed law school; Pensacola, FL, which is in the western part of Florida's panhandle, where Ed began both his law and utility careers; and finally, Savannah, GA, where he was a community leader as the CEO of Southern Company's then Savannah Electric and Power subsidiary, which is now a part

ment at his high school, Ed was president of the student government organization for two years. "That's where I learned to appreciate the value of diversity," Ed said. The high school in Port St. Joe was being racially integrated during that time.

Also, in college, Ed was attracted to student government and became the "token independent" in the Student Senate. He was head of the Student Union which scheduled such entertainers as Elvis and Ike and Tina Turner. Twice, Ed was secretary general of UVA's student organization that was modeled after the United Nations.

And it was in the "U.N." activity that Ed met his future wife, Betsy, who was a year behind him in school. They were married in 1976, the summer after Ed's first year in law school.

After graduation in 1978, Ed and Betsy left Charlottesville and headed to Pensacola to join a law firm where he had clerked as an intern one summer. A year later, he joined Beggs and Lane, a Pensacola-based firm where he had gotten to know several of the partners. Ed practiced at Beggs and Lane until 1992, and early on, began to do work for Southern's Gulf Power Company, which is based in Pensacola.

New Reps Named for British Columbia Transmission Corporation, Canada

Then, around 1982 or '83, a senior member of the firm was appointed to a federal judgeship and Ed took over the Gulf Power account. The focus of his work was trying successfully four or five rate cases.

In the late 1980s and early 90's, Southern Company—and Gulf Power, in particular—were in the throes of serious and lengthy litigation. Ed was asked by Gulf's CEO to join the company as general counsel and focus on Gulf's defense. Also, during this time, Southern's CEO asked Ed to be the system's chief compliance officer in addition to his duties at Gulf—a role that he highly values to this day.

Next came one of Ed's favorite assignments. His love for engineering surfaced in 1995 as he became the corporate officer responsible for Gulf's power generation and transmission. While filling that role, Ed also was serving as corporate counsel—and did so until 1997. "That was one of my best jobs ever," Ed said.

That was followed by another "tremendous experience," moving to Savannah as the CEO of Savannah Electric and Power, which would become a part of Georgia Power in July 2007.

In 2001, Southern Company President Allen Franklin asked Ed to come to Atlanta and lead an effort to determine if Southern should form or be a part of a regional transmission organization. "By 2004, it was clear that we should not go in that direction," Ed said.

Since May 2001, Ed has been executive vice president and general counsel, and again the system's compliance officer.

Ed lists golf, boating, and hunting among his pastimes, but it is golfing that is his passion—especially playing what he calls "old traditional courses" in Scotland and Ireland. Examples of two such American courses are Merion in Pennsylvania and Baltusrol in New Jersey.

As this article was being prepared, the Hollands had just returned from a family vacation in Ireland where youngest daughter Caroline became engaged. She is currently in graduate school at the University of North Carolina, Charlotte. The other Holland daughter, Laura, practices health-care law in Washington, D.C., with the Atlanta-based firm of Alston and Bird.

In closing, Ed spoke of his being honored to be invited to join the EIM Board of Directors. "Risk management is a fascinating part of the business world, and I look forward to being part of the organization and contributing to EIM and its operations where I can," Ed concluded.

EIM Member British Columbia Transmission Corporation, Vancouver, BC, Canada, has named a new EIM Member Representative and EIM Risk Manager Representative—Janet Fraser, interim chief financial officer, and Jason Tan, manager, risk management, respectively.

Janet Fraser



Janet Fraser

Janet Fraser, BCTC director of regulatory affairs, was appointed interim CFO in January of this year. She has been with the company since July 2003 and has held a number of senior leadership roles in market operations, finance, audit, and risk management.

Prior to joining BCTC, Janet held various positions at Westcoast Energy, including finance, risk management, audit, and organizational development. She is a certified management accountant.

Janet is a member of the board of directors and the finance chair of the Dr. Peter Aids Foundation. Her previous board positions include the Association of Women in Finance.

Jason Tan



Jason Tan

Jason Tan received a bachelor's degree in 1999 and a master's degree in development economics in 2001 from the University of the Philippines, Manila. In 2005, he earned a master's in risk management from the University of New South Wales, Sydney, Australia.

Jason began his career in January 2001 as project economist for a Renewal Energy Project of the United Nations Development Program in Manila. He left that position in December 2003 to pursue graduate studies.

In September 2005, Jason joined the International Institute

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Santee Cooper Joins EIM

EIM's newest Member is the South Carolina Public Service Authority, which is doing business as Santee Cooper, South Carolina's state-owned electric and water utility.

Santee Cooper is the state's largest power producer, supplying electricity to more than 163,000 retail customers in Berkeley, Georgetown, and Horry counties, as well as to 29 large industrial facilities, the cities of Bamberg and Georgetown, and the Charleston Air Force Base. Santee Cooper also generates the power distributed by the state's 20 electric cooperatives to more than 700,000 customers in all 46 counties.

Approximately two million South Carolinians receive their power directly or indirectly from Santee Cooper. The utility also provides water to 137,000 consumers in Berkeley and Dorchester counties, and the town of Santee.

In July, J.D. Power and Associates announced that Santee Cooper ranks "Highest in Customer Satisfaction among Mid-size Utilities in the South" and based on Santee Cooper's numerical score, the new EIM Member received the highest score in the nation among all utilities studied.

Santee Cooper is celebrating its 75th anniversary year throughout 2009.

New Reps Named for British Columbia Transmission Corporation, Canada

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for Energy Conservation, a U.S.-based consulting firm working mainly with developing countries in Asia, Africa, and Latin America. From September 2008 to February 2009, he was a consultant with Energy Efficiency Finance Corporation, Olympia, WA. He joined BCTC in March of this year.

With the Canadian Risk Management (CRM) designation, Jason is a member of RIMS and the Philippine Australia Alumni Association.

Celebrating EIM Anniversaries



Four EIM staffers have had milestone anniversaries in 2009—from left, Sandra Imbriani, 15 years on July 5; Ann Joslin, five years on July 12; and Deana Edmonds, 15 years on Feb. 1. Sandra is senior underwriter; Ann, claims manager; and Deana, assistant underwriter. David Hadler's 15th anniversary was Sept. 1.

MEMBERS REPORT

EIM's *Members Report* is published up to four times per year. The Company's annual report is published in May. Comments, questions, and suggested subjects from Members are sincerely welcomed.

Please send information to the EIM office in Tampa.

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