

# M E N E R G Y I N S U R A N C E M U T U A L MEMBERS REPORT

VOLUME 20, ISSUE 1

JANUARY 2006

## Bob Dillard, Kinder Morgan, Elected to Company's IAC

**R**obert W. Dillard, director, risk management, Kinder Morgan, Inc., Houston, was elected in November 2005 to Energy Insurance Mutual's Insurance Advisory Committee, replacing Mike Hulsey who had resigned earlier from the IAC.



Bob Dillard

A native of Bluefield, WV, Bob received in 1982 a bachelor's degree, having majored in accounting, from Ball State University, Muncie, IN. In 1998, he received an MBA from the University of Phoenix, San Francisco campus.

Bob held several accounting and insurance positions before joining Occidental Chemical in 1987, where he was risk manager in the Dallas office. In 1998, Bob joined Enron, Houston, as a manager of insurance in the International Division. In 1999, he moved to Azurix Corp., also in Houston, where he was director, risk management. He joined Kinder Morgan in 2001.

Bob and his wife Terri are the parents of two daughters, Keri, who is a junior at Texas Tech in Lubbock, and Lindsey, who is a sophomore at Klein High School, Spring, TX. Bob and Terri are active youth leaders in their church, and his personal interests range from music, to scuba diving, to underwater photography.

## Record Number of EIM Risk Managers Give Company High Marks in Annual Satisfaction Survey

**I**n the 2005 Customer Satisfaction Survey, conducted annually by the Company's Insurance Advisory Committee, 126 EIM Risk Manager Representatives responded, which is a record number.

"Overall, the results are extremely positive," CEO David

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## Company Launches Celebration of 20th Anniversary

**W**ith this newsletter and a New Year's greeting card to Member representatives, brokers, and other friends of the Company, Energy Insurance Mutual launches a celebration of its 20th Anniversary.

The Risk Managers Information Meeting, Feb. 26-28, at the Omni at ChampionsGate, near Orlando, will take on the 20<sup>th</sup> Anniversary theme from beginning to end.



Then, in May, at the EIM Board meeting, a dinner will honor all past directors and their spouses. All but two of the 21 former directors have accepted the Company's invitation. Several anniversary surprises will be revealed at the May meeting.

The Company's 2005 Annual Report, which will be distributed in early May, also will reflect the 20<sup>th</sup> Anniversary. It will feature photographs and conversations with the five founding directors who worked on the feasibility study that led to EIM's formation: Harlan Dellsy, Conrad Faulk, Irene Moszer, Tom Nunnally, and Gerald Maloney.

The 20<sup>th</sup> Anniversary logo is reminiscent of the one used 10 years ago. Then, it was said that the logo expresses the one corporate trait that has done more than any other to define EIM—that trait being consistent delivery of exceptional service. In 1996, the anniversary theme was "A Decade of Service." This

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## Record Number of EIM Risk Managers Give Company High Marks in Satisfaction Survey

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Hadler, reported at the November meeting of the Company's Board of Directors. "Most insurance companies would be ecstatic with these results."

Some key findings: 91.94 percent of the respondents believe that EIM has added value in the form of price stability; 95.12 percent say that the Company has added value in the form of consistent limits; and 100 percent agree that EIM meets their expectation in value for money.

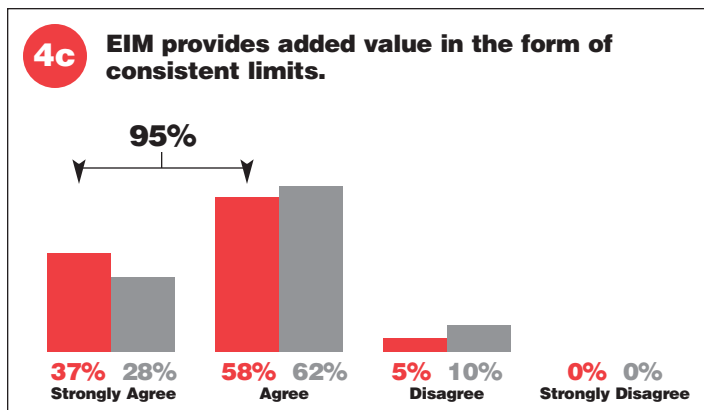
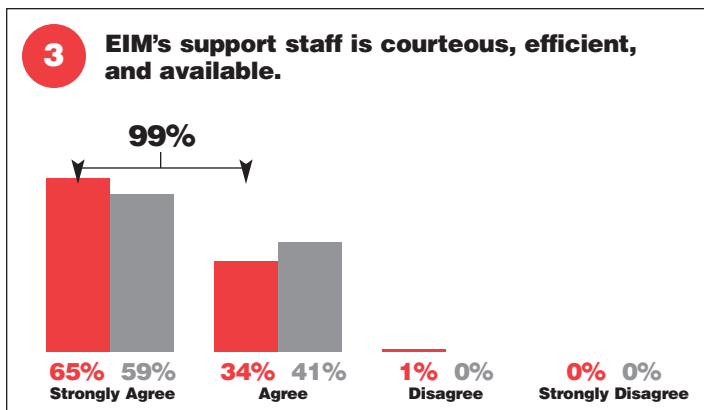
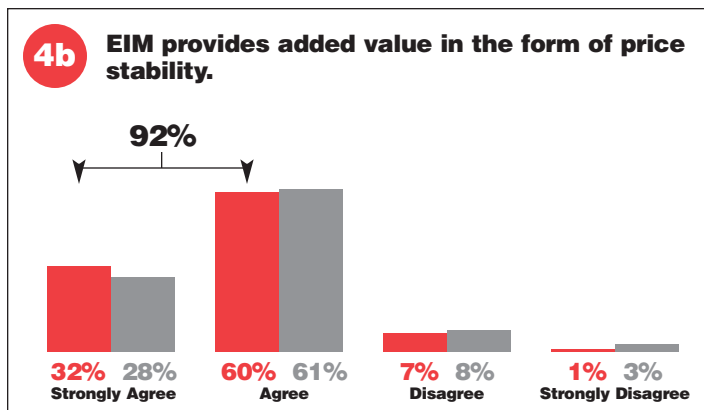
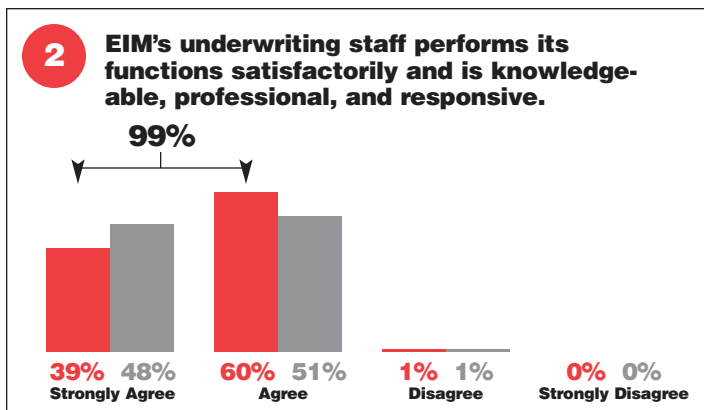
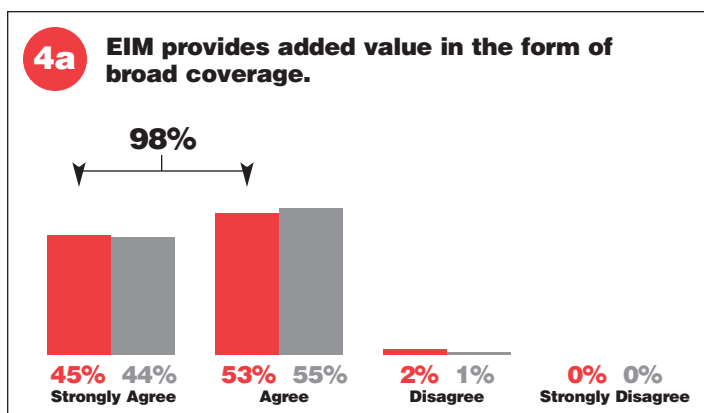
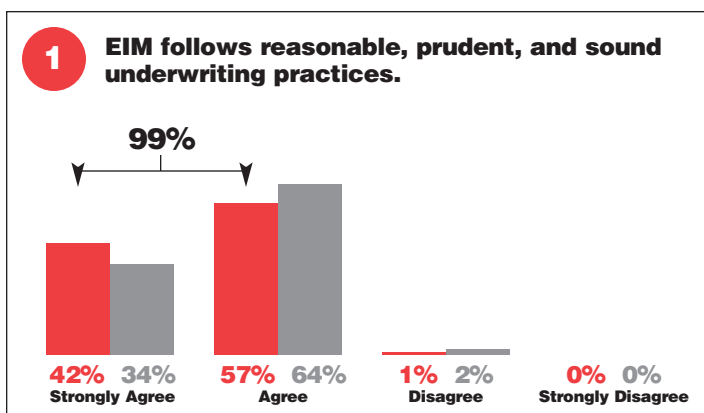
In the charts that follow, 2005 data is compared with findings from the 2004 IAC survey.

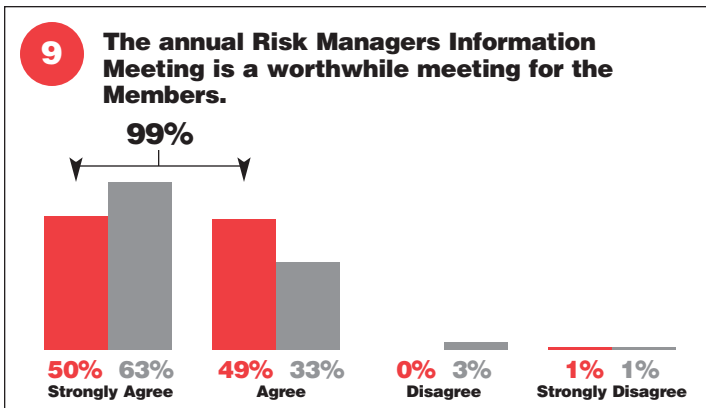
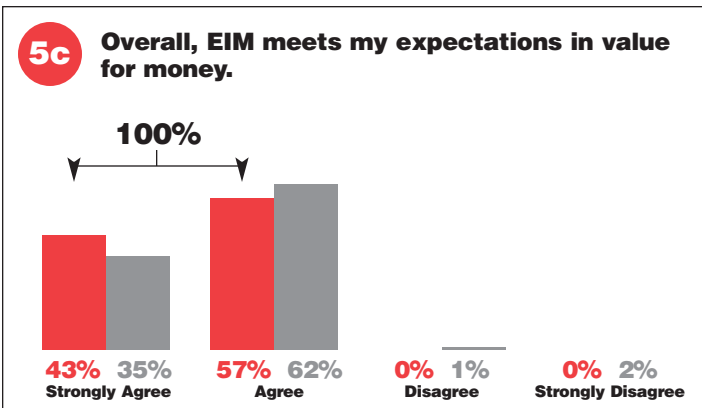
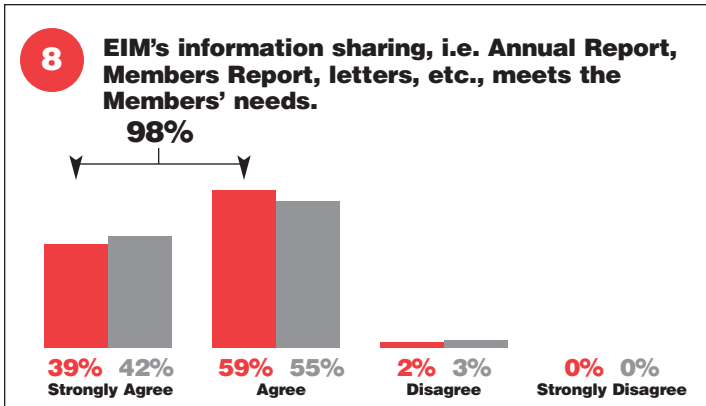
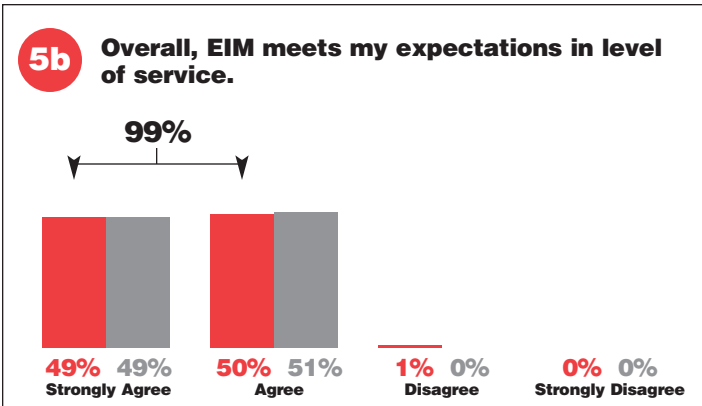
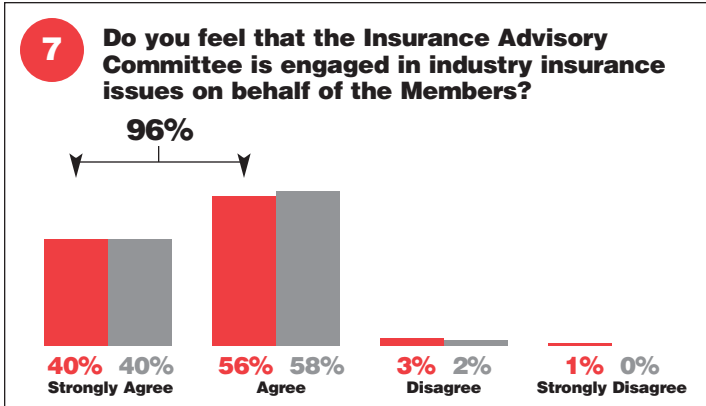
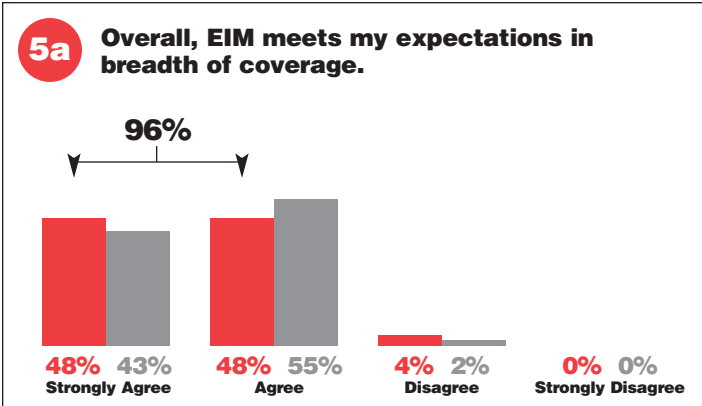
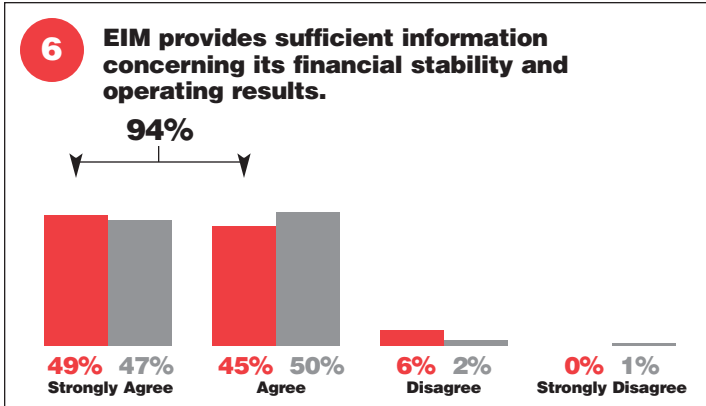
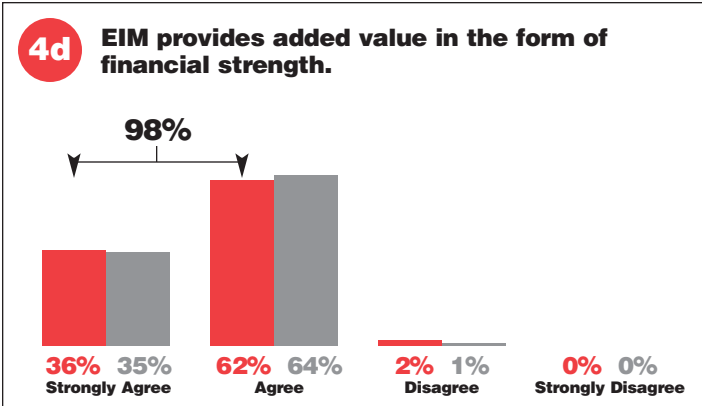
# 2005 Risk Managers Survey Results

126 Risk Managers Responding

■ 2005 Results

■ 2004 Results





## Five EIM Members Name Seven New Representatives

**F**ive EIM Members—American Electric Power, Dayton Power and Light Company, PNM Resources, Scottish Power plc, and South Mississippi Electric Power Association—have named new representatives, three Member Reps and four Risk Manager Reps.

### AEP



*Laura Thomas*

The new Member Representative is **Laura J. Thomas**, vice president and chief risk officer, and the new Risk Manager Representative is **Randall L. Martin**, director, risk and insurance management.

**Laura Thomas**, who joined AEP in 1982, received her bachelor's degree in 1979 from Ohio State University, Columbus, and her master's, both degrees being in mathematics, in 1982, also from Ohio State. She is a native of Evanston, IL.

From 1982 to 1995, Laura worked as a rate analyst. In 1995, she was promoted to director, regulated pricing and analysis. She was elected vice president in 2003. Initially, she was responsible for fuel and cost recovery. She has been in her present position since 2005.

She is a member of Women's International Network of Utility Professionals.



*Randy Martin*

**Randy Martin**, who joined AEP in 2000 as manager, risk and insurance, received in 1978 a bachelor's degree in business administration from West Virginia University, Morgantown. He is a native of Clarksburg, WV.

Having worked for Aetna and AIG in Pittsburgh and Marsh in Lexington, KY, Randy moved to Columbus, OH, with Borden, Inc., in 1988, where he remained until 1992. He then joined the Willis Group in Columbus. He was senior vice president, risk management services. He has been in his present position at AEP since February 2004.

Randy is a member of the CPCU Society.

### DPL



*Ellen Leffak*

**Ellen Leffak**, director, insurance and risk management, is this Member's new EIM Risk Manager Representative.

A native of New York, Ellen graduated Hunter College of the City University of New York in 1976 with a bachelor's in business. She graduated cum laude from the University of Dayton School of Law in 1984.

Ellen began her career at DPL in May 1985 as a staff attorney. She was in that position until 1990, when she was named manager, human resources. In 1995, she was promoted to associate counsel. After three years, she was again promoted, this time to her present position.

Ellen's activities include the Dayton and Ohio bar associations, Society for Corporate Compliance Ethics, Care Source, which is a non-profit HMO for Medicaid recipients, and the Jewish Federation of Greater Dayton. She holds a number of top positions with the Jewish Community Center, including chair of the board of trustees.

### PNM Resources

**Terry Horn**, vice president, corporate secretary, and acting chief financial officer, is this Member's new Member Representative.

Having earned in 1974 a bachelor's in business administration from New Mexico State University, Terry later completed the MBA program, with a focus on finance, at the University of Houston.

Terry began his career in finance with Texaco, Inc. He joined PNM in 1985 and served as vice president and treasurer from 1998 to 2005 when he assumed his current position as vice president and corporate secretary.

Terry manages the company's treasury operations, controller's function, corporate taxation, risk management, insurance, credit analysis, investor relations, and corporate planning and analysis. He also oversees corporate governance, ethics and compliance, audit services, and administration for legal services.

## Scottish Power



*Gareth Walker*

**Gareth Walker**, group director, insurance, is this Member's new EIM Risk Manager Representative.

A 1993 graduate of Glasgow University, UK, Gareth has a bachelor's degree with majors in mathematics and physics.

Initially, he worked for three years at General Accident Insurance Company in the UK. In 1997, he joined Scottish Power as a market risk analyst. In 2002, he moved to the US where he had the same position with PacifiCorp. He returned to Scottish Power in 2004.

## South Mississippi EPA



*James Compton*

The new Member Representative is **James Compton**, the general manager of South Mississippi EPA, and the Risk Manager Representative is **Jim Borsig**, manager, corporate information and planning.

**James Compton**, who has been general manager of South

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**Who?** EIM Risk Manager Representatives, Member Brokers, Consultants, and Invited Guests

**What?** 20<sup>th</sup> Annual Risk Managers Information Meeting

**Where?** Omni Orlando Resort at ChampionsGate  
[www.omniorlandoresort.com](http://www.omniorlandoresort.com)

**When?** February 26-28

**Why?** It wouldn't be the same without you!

**P.S.** Please notify Donna Dunlap of any scheduling changes.



*A Focus on Leadership*

This two-part series will continue in the June issue with a conversation with EIM's vice chairman, Chuck Shivery, chairman, president, and CEO, Northeast Utilities.



**The 2005 Hurricanes Costly to EIM**

As of October 20, EIM had received six notices and was aware of one other potential claim from Members affected by **Hurricane Katrina**. It was reported that the Company's gross exposure is almost \$13.6 million, which equates to over \$6.8 million net.

For **Hurricane Rita**, EIM has eight Members potentially involved. The Company is estimating its gross exposure at more than \$7.8 million, with a net exposure of more than \$3.9 million.

**Hurricane Wilma** came across Florida as a strong Category 3 storm. It inflicted extensive property damage to the southern part of Florida. EIM has received only one notice of loss. Gross exposure could be as high as \$15 million, which would equate to \$7.5 million net. However, based on information provided to date, it is likely that our gross liability will be under \$1 million.

**Mountaineer Gas, RGC Resources, Targa Resources New EIM Members**

At late December, there were three new Members of Energy Insurance Mutual: Mountaineer Gas, Charleston, WV; RGC Resources, Inc., Roanoke, VA; and Targa Resources, Inc., Houston. Total Membership is now 175.

**Mountaineer Gas**

Mountaineer Gas is the largest natural gas distribution service company in West Virginia. The company serves 226,000 customers, providing natural gas sales, transportation, and distribution. It also operates natural gas producing properties, gas gathering, and intrastate transmission pipeline facilities. The company has full or partial interest in 429 producing wells.

Total revenue projected for 2005 was \$98.3 million, with total assets of \$317.5 million.

**RGC Resources**

In business since 1883, RGC Resources is an energy services company that provides natural gas, energy products, and information system services to 58,000 customers in Virginia and West Virginia through its operating subsidiaries, including Roanoke Gas Company, Bluefield Gas Company, Diversified Energy, and RGC Ventures.

Total operating revenues for 2004 were \$103.1 million.

**Targa Resources**

Targa Resources, formed in 2003, owns and operates approximately 12,090 miles of natural gas and NGL pipelines, with natural gas gathering systems covering approximately 14,400 square miles and 21 natural gas processing plants. Additionally, Targa Resources owns a significant, integrated NGL logistics and marketing business with 21 terminals, 2,000 railcars, 78 transport tractors, 114 tank trailers, and 21 NGL pressurized barges.

In late October 2005, the company acquired Dynege's ownership interests in Dynege Midstream Services, LP, which held Dynege's natural gas gathering and processing assets as well as its natural gas liquids fractionation, terminal storage, transportation, distribution, and marketing assets.

**A.M. Best has re-affirmed recently Energy Insurance Mutual's rating of A (Excellent).**



## EIM'S Balance Sheet at September 30, 2005

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

	9/30/05	9/30/04
<b>ASSETS</b>		
Investments	\$ 988,880	\$ 900,040
Cash and cash equivalents	46,108	45,804
Accrued interest	5,024	5,012
Income taxes recoverable	11,705	4,539
Deferred acquisition costs	1,513	2,344
Reinsurance paid in advance	53,584	25,726
Insurance balances receivable	1,327	359
Prepaid expenses	500	517
Reinsurance recoverable on unpaid losses	224,133	367,971
Investment in subsidiary	1,669	1,663
Property and equipment	1,185	790
Total Assets	<u>\$ 1,335,628</u>	<u>\$ 1,354,765</u>
<b>LIABILITIES</b>		
Reserve for losses and LAEs	\$ 682,585	\$ 764,749
Unearned premiums	104,909	112,760
Reinsurance balances payable	14,274	722
Deferred income tax	20,469	2,294
Accrued expenses	1,881	2,335
Total Liabilities	<u>\$ 824,117</u>	<u>\$ 882,860</u>
<b>POLICYHOLDERS' SURPLUS</b>		
Retained earnings	\$ 418,943	\$ 414,038
Accumulated other comprehensive income	92,568	57,867
Total Policyholders' Surplus	<u>511,511</u>	<u>471,905</u>
Total Liabilities and Policyholders' Surplus	<u>\$ 1,335,628</u>	<u>\$ 1,354,765</u>

## Statement of Operations for the Period January 1, 2005 to September 30, 2005

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

	9/30/05	9/30/04
<b>UNDERWRITING INCOME</b>		
Gross premiums earned	\$ 156,388	\$ 154,231
Reinsurance premium assumed	5,786	3,446
Reinsurance premium ceded	(67,668)	(66,211)
Net Premiums Earned	<u>94,506</u>	<u>91,466</u>
<b>UNDERWRITING EXPENSES</b>		
Losses and LAE incurred - direct	78,420	85,917
Losses and LAE incurred - assumed	13,626	10,590
Administrative expenses	5,976	5,176
Total Benefits and Expenses	<u>\$ 98,022</u>	<u>\$ 101,683</u>
Loss from underwriting	(3,516)	(10,217)
Miscellaneous income	37	27
Net investment income	<u>22,866</u>	<u>21,444</u>
Income before Policyholders' Distribution	19,387	11,254
Less: Policyholders' Distribution	<u>0</u>	<u>0</u>
Income before income taxes	19,387	11,254
Less: Income taxes	2,965	668
Net Income	<u>\$ 16,422</u>	<u>\$ 10,586</u>



## Company Launches Celebration of 20th Anniversary

(Continued from page 1)

year, the theme is “20 Years of Exceptional Service.”

EIM was incorporated June 13, 1986, in Barbados, where it remains domiciled. The Company wrote its initial policies for 17 founding Members on July 1, 1986. Each of the 17 Members remains among the Company’s current 175 Members.

The 17 are now 15 due to two mergers:

Allegheny Energy, Inc. (Allegheny Power System, Inc.)

American Electric Power Company, Inc.

Cinergy Corp. (Cincinnati Gas & Electric Company)

CMS Energy Corporation (Consumers Power Company)

Dominion Resources, Inc. (Virginia Power)

DTE Energy Company (Detroit Edison Company)

Energy East Corporation  
(Rochester Gas and Electric Corporation)

Entergy Corporation  
(Middle South Utilities, Inc. and Gulf States Utilities)

Exelon Corporation (Philadelphia Electric Company)

FirstEnergy Corp.  
(Ohio Edison Company and Centerior Energy Corporation)

FPL Group, Inc.

KeySpan Corporation (Long Island Lighting Company)

Southern Company

TXU Corp. (Texas Utilities Company)

UIL Holdings Corporation (United Illuminating Company)

## Five EIM Members Name Seven New Representatives

(Continued from page 5)

Mississippi EPA, which is based in Hattiesburg, MS, since late October 2004, had lived and worked in Biloxi, MS, since 1976. He was a founding partner in a law firm in Biloxi and was a member of the Biloxi City Council for 11 years. He served as Council president for two different terms.

Previously, James was the board attorney for South Mississippi EPA and provided legal counsel for several distribution electric cooperatives in the state.

James graduated in 1971 from Southwestern at Memphis, which is now Rhodes College, with a bachelor’s in business. In 1976, he graduated from the University of Mississippi Law School at Oxford.



Jim Borsig

**Jim Borsig**, manager, corporate information and planning, is this Member’s new Risk Manager Representative.

A native of Jackson, Jim received a bachelor’s degree and a master’s from the University of Southern Mississippi. He completed his Ph.D. in 2002 at Mississippi State University.

Prior to joining South Mississippi Electric Power Association in 2004, Jim had been the chief administrative officer of Biloxi, MS. His career includes management experience in municipal government and higher education.

## 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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