

QUARTERLY FINANCIALS

SECOND QUARTER 2022



We are your source for superior long-term insurance and risk financing products and services.

Energy Insurance Mutual Limited (EIM) is a mutually owned insurance company that provides its Members with substantial capacity on its core products of Excess General Liability, Excess Directors and Officers Liability, and Excess Fiduciary Liability coverage for losses in excess of at least \$35 million.

In addition, capacity is available on other classes of business, including Property and Cyber Liability, for those Members who purchase Excess General Liability and/or Excess Directors and Officers coverage.



2ND QUARTER 2022

Energy Insurance Mutual Limited (“EIM”) recorded a loss on surplus of (\$113.0) million for the six months ended June 30, 2022 driven by investment market volatility. This is compared to a gain of \$57.4 million for the same period in 2021. EIM recorded income from underwriting of \$21.0 million compared to \$0.5 million in the prior year.

EIM saw an improvement on its loss ratio, currently 78% for the six months ended June 30, 2022, steadily decreasing over the last three years and more in line with budget.

EIM had an investment loss of (\$165.3) million from unrealized market losses for the first six months of 2022 compared to income of \$70.6 million for the same period in 2021. Current year investment results were impacted by unfavorable market performance across most asset sectors.

Highlights from 2022 include:

- Distribution of \$50.0 million paid in March 2022 to members of record at December 31, 2021.
- Policyholders’ Surplus of \$1.1 billion, a decrease of \$113.0 million or (9.1%) for the year.
- Combined ratio of 83.7% for the first six months 2022 as compared to 99.6% for the same period prior year.
- Membership retention of 100% was achieved in the first six months of 2022.

EIM’s return on investments of (8.62%) compared to a benchmark return of (8.93%). The return is a result of losses on US equities of (17.65%), international equities of (19.37%), fixed income securities of (7.19%) and slightly offset by gains on alternative investment securities of 1.84%, lead by strong returns on our real estate holdings.

While the first half 2022 saw an 8.6% negative investment return driven by a drop in equity markets and fixed income securities, EIM remains confident, based on the diversity and allocation of its investment portfolio, that the long-term investment returns are on track and achievable, with 5 and 10 year averages both above 4.0%.

FINANCIAL STATEMENTS

As of and For the Period Ending June 30, 2022
(Unaudited)

Balance Sheets

(Expressed in Thousands of U.S. Dollars)

	06/30/22	12/31/21
<u>Assets</u>		
Investments	\$ 1,805,773	\$ 2,024,571
Cash and cash equivalents	111,213	67,599
Reinsurance recoverables on losses	482,323	529,275
Prepaid reinsurance premiums	26,861	37,230
Premiums receivable	35,699	14,206
Income taxes recoverable	(174)	9,111
Other assets	2,525	2,460
Total assets	\$ 2,464,220	\$ 2,684,452
<u>Liabilities and policyholders' surplus</u>		
Reserves for losses and loss adjustment expenses	\$ 1,081,313	\$ 1,127,868
Unearned premiums	200,420	169,258
Reinsurance premiums payable and funds held	2,193	1,693
Net deferred tax liability	29,477	70,067
Policyholder distributions payable	-	50,000
Accounts payable and accrued expenses	15,826	17,555
Total liabilities	1,329,229	1,436,441
Policyholders' surplus	1,134,991	1,248,011
Total liabilities and policyholders' surplus	\$ 2,464,220	\$ 2,684,452

Statements of Income YTD

(Expressed in Thousands of U.S. Dollars)

	06/30/22	06/30/21
<u>Underwriting revenue</u>		
Net premiums earned	\$ 128,998	\$ 108,892
Other underwriting income	268	2,427
Total underwriting revenue	129,266	111,319
<u>Underwriting expenses</u>		
Net losses and loss adjustment expenses	100,367	102,598
Policy acquisition costs	1,382	1,776
Administrative expenses	6,504	6,472
Total underwriting expenses	108,253	110,846
Income from underwriting	21,013	473
Investment (loss) income	(165,338)	70,639
(Loss) income before income taxes	(144,325)	71,112
Income tax (benefit) expense	(31,305)	13,702
Net (loss) income	\$ (113,020)	\$ 57,410