

# QUARTERLY FINANCIALS

THIRD QUARTER 2020



## **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, Excess Fiduciary Liability and Excess General Partner Liability coverage for losses in excess of at least \$35 million.

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



Energy Insurance Mutual Limited (“EIM”) recorded a gain on surplus of \$22.4 million for the nine months ended September 30, 2020 compared to \$40.1 million for the same period in 2019. EIM recorded a loss from underwriting of (\$24.2) million compared to (\$79.4) million in the prior year. Current year underwriting results were impacted by unfavorable loss development on prior year claims in the general liability and director and officers lines of business.

EIM had investment income of \$40.9 million for the first nine months of 2020 compared to \$152.9 million for the same period in 2019. Current year investment results were impacted by market volatility related to the impact of COVID-19 on the overall global economy.

Highlights from 2020 include:

- Distribution of \$50.0 million paid in March 2020 to members of record at December 31, 2019.
- Policyholders’ Surplus of \$1.2 billion, an increase of \$22.4 million or 1.9% for the year.
- Combined ratio of 115.5% for the first nine months 2020 as compared to 165.3% for the same period prior year.
- Membership retention of 100% was achieved in the first nine months of 2020.

EIM’s return on investments of 2.90% compared to a benchmark return of 3.24%. The return is a result of gains on fixed income securities of 4.53%, US equities of 4.19%, alternative investment securities of 0.41% and losses on international equities of -7.89%. Differences between the benchmark and actual return were related to significant volatility resulting from the economic impact caused by the COVID-19 pandemic.

Overall, EIM remains in a strong position both operationally and financially, despite the economic impact of the COVID-19 pandemic. Operationally, EIM has experienced very little disruption from all business units. Financially, EIM is within the parameters set out in its current risk tolerance statement of being able to withstand a 1/200 catastrophic event and maintain an A rating by AM Best.

# FINANCIAL STATEMENTS

As of and For the Period Ending September 30, 2020

## Balance Sheets

(Expressed in Thousands of U.S. Dollars)

	9/30/2020	12/31/2019
<b>Assets</b>		
Investments	\$ 1,735,247	\$ 1,659,784
Cash and cash equivalents	96,637	19,774
Reinsurance recoverables on losses	462,636	437,571
Prepaid reinsurance premiums	35,444	37,388
Premiums receivable	12,763	15,113
Income taxes recoverable	24,277	21,120
Other assets	10,064	10,238
<b>Total assets</b>	<b>\$ 2,377,068</b>	<b>\$ 2,200,988</b>
<b>Liabilities and policyholders' surplus</b>		
Reserves for losses and loss adjustment expenses	\$ 949,687	\$ 757,436
Unearned premiums	173,523	160,581
Reinsurance premiums payable and funds held	16,391	13,586
Net deferred tax liability	50,622	53,675
Policyholder distributions payable	-	50,000
Accounts payable and accrued expenses	11,482	12,740
<b>Total liabilities</b>	<b>1,201,705</b>	<b>1,048,018</b>
Members' account balance	1,175,363	1,152,970
<b>Total policyholders' surplus</b>	<b>1,175,363</b>	<b>1,152,970</b>
<b>Total liabilities and policyholders' surplus</b>	<b>\$ 2,377,068</b>	<b>\$ 2,200,988</b>

## Statements of Income YTD

(Expressed in Thousands of U.S. Dollars)

	9/30/2020	9/30/2019
<b>Underwriting revenue</b>		
Net premiums earned	\$ 156,148	\$ 121,472
Other underwriting income	2,472	1,617
<b>Total underwriting revenue</b>	<b>158,620</b>	<b>123,089</b>
<b>Underwriting expenses</b>		
Net losses and loss adjustment expenses	171,665	191,255
Policy acquisition costs	2,603	2,181
Administrative expenses	8,556	9,072
<b>Total underwriting expenses</b>	<b>182,824</b>	<b>202,508</b>
Income (loss) from underwriting	(24,204)	(79,419)
Investment (loss) income	40,937	152,860
(Loss) income before income taxes	16,733	73,441
Policyholder distribution	-	25,000
Income tax (benefit) expense	(5,660)	8,301
<b>Net (loss) income</b>	<b>\$ 22,393</b>	<b>\$ 40,140</b>