Johnson Lambert LLP
cpas + consultants

Energy Insurance Mutual Limited

Audited Financial Statements

Years ended December 31, 2018 and 2017
with Report of Independent Auditors

Energy Insurance Mutual Limited

Audited Financial Statements

Years ended December 31, 2018 and 2017

Contents

Johnson Lambert LLP
cpas + consultants

Report of Independent Auditors

To the Audit Committee of the Board of Directors
Energy Insurance Mutual Limited

Report on the Financial Statements
We have audited the accompanying financial statements of Energy Insurance Mutual Limited ("the Company") which comprise the balance sheets as of December 31, 2018 and 2017 and the related statements of income and comprehensive (loss) income, changes in policyholders' surplus and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Energy Insurance Mutual Limited at December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the disclosures about short-duration insurance contracts on pages 23-26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Johnson Lambert LLP

Jacksonville, Florida
February 27, 2019

Energy Insurance Mutual Limited

Balance Sheets

(Expressed in Thousands of U.S. Dollars)

	As of December 31, 2018	As of December 31, 2017
Assets		
Investments, available-for-sale	$ 1,453,717	$ 1,492,113
Alternative investments	212,867	181,358
Investment in subsidiaries	4,266	3,690
Total investments	1,670,850	1,677,161
Cash and cash equivalents	60,416	8,015
Reinsurance recoverables on unpaid losses	264,056	225,579
Reinsurance recoverables on paid losses	1,364	3,094
Prepaid reinsurance premiums	32,553	40,352
Accrued investment income	7,519	7,785
Receivables for securities sold	4,431	7,050
Premiums receivable	8,006	9,106
Deferred policy acquisition costs	1,373	1,103
Income taxes recoverable	8,677	16,690
Due from (to) subsidiary	284	(11,744)
Other assets	1,361	1,530
Total assets	$ 2,060,890	$ 1,985,721
Liabilities and policyholders' surplus		
Liabilities:		
Reserve for losses and loss adjustment expenses	$ 695,969	$ 563,971
Unearned and advance premiums	121,310	126,979
Reinsurance premiums payable and funds held for reinsurers	7,640	8,488
Net deferred tax liability	39,296	61,383
Policyholder distributions payable	50,000	40,000
Accounts payable and accrued expenses	11,506	16,061
Total liabilities	925,721	816,882
Policyholders' surplus:		
Accumulated other comprehensive income	186,892	264,215
Members' account balance	948,277	904,624
Total policyholders' surplus	1,135,169	1,168,839
Total liabilities and policyholders' surplus	$ 2,060,890	$ 1,985,721

See accompanying notes to the financial statements.

Energy Insurance Mutual Limited

Statements of Income and Comprehensive (Loss) Income

(*Expressed in Thousands of U.S. Dollars*)

	Years ended December 31, 2018	2017
Underwriting revenue		
Net premiums earned		
Direct and assumed premiums earned	$ 226,780	$ 221,057
Ceded premiums earned	(70,613)	(77,140)
Net premiums earned	156,167	143,917
Ceding commission income	2,166	2,393
Total underwriting revenue	158,333	146,310
Underwriting expenses		
Net losses and loss adjustment expenses		
Gross and assumed losses and loss adjustment expenses	190,964	75,670
Ceded losses and loss adjustment expenses	(77,797)	9,750
Net losses and loss adjustment expenses	113,167	85,420
Policy acquisition costs	2,148	1,944
Administrative expenses	8,998	12,620
Total underwriting expenses	124,313	99,984
Income from underwriting	34,020	46,326
Investment income		
Net realized gain on investments sold	32,936	15,879
Net investment income	47,879	39,161
Total investment income	80,815	55,040
Income before policyholders' distribution and income taxes	114,835	101,366
Distributions to policyholders	(75,000)	(40,000)
Income tax benefit	3,818	28,765
Net income	$ 43,653	$ 90,131
Comprehensive (Loss) Income		
Net income	$ 43,653	$ 90,131
Net unrealized (losses) gains on available-for-sale securities, net of taxes of $(13,638) and $32,664, respectively	(51,303)	60,662
Less: reclassification adjustment for net gains realized in net income, net of taxes of $6,916 and $5,558, respectively	(26,020)	(10,321)
Other comprehensive (loss) income, net of taxes	(77,323)	50,341
Comprehensive (Loss) Income	$ (33,670)	$ 140,472

See accompanying notes to the financial statements.

Energy Insurance Mutual Limited

Statements of Changes in Policyholders' Surplus

(*Expressed in Thousands of U.S. Dollars)*

	Accumulated Other Comprehensive Income	Members' Account Balance	Total Policyholders' Surplus
Balance at January 1, 2017	$ 167,068	$ 861,299	$ 1,028,367
Other comprehensive income, net of taxes	50,341	-	50,341
Reclassification of stranded tax (Note A)	46,806	(46,806)	-
Net income	-	90,131	90,131
Balance at December 31, 2017	264,215	904,624	1,168,839
Other comprehensive loss, net of taxes	(77,323)	-	(77,323)
Net income	-	43,653	43,653
Balance at December 31, 2018	$ 186,892	$ 948,277	$ 1,135,169

See accompanying notes to the financial statements.

Energy Insurance Mutual Limited

Statements of Cash Flows

(*Expressed in Thousands of U.S. Dollars)*

	Years ended December 31, 2018	2017
Net income	$ 43,653	$ 90,131
Cash flows from operating activities:		
Add (deduct) items not affecting cash:		
Depreciation	314	226
Amortization of bond premium or discount	2,133	3,865
Net realized investment gain	(32,936)	(15,879)
Deferred income taxes	(1,533)	(38,306)
Changes in operating assets and liabilities:		
Reinsurance recoverables on unpaid and paid losses	(36,747)	125,814
Prepaid reinsurance premiums	7,799	(908)
Premiums receivable	1,100	(920)
Reserve for losses and loss adjustment expenses	131,998	(109,906)
Unearned and advance premiums	(5,669)	5,154
Reinsurance premiums payable and funds held for reinsurers	(848)	(86)
Accounts payable and accrued expenses	(2,281)	703
Due (from) to subsidiaries	(12,028)	3,954
Policyholder distribution payable	10,000	15,000
Income taxes recoverable	8,013	(15,964)
Net cash from operations	112,968	62,878
Cash flows from investing activities:		
Cost of investments purchased	(634,199)	(682,378)
Proceeds from sales of investments	472,566	555,794
Proceeds from maturities of investments	109,021	59,640
Change in amount due from purchase/sale of securities	345	(12,553)
Income from alternative investments	(7,553)	2,839
Equity in earnings of subsidiaries	(576)	(395)
Purchases of fixed assets	(171)	(1,006)
Net cash from investing	(60,567)	(78,059)
Cash flows from financing activities:		
Draws on line of credit	30,000	56,000
Repayments on line of credit	(30,000)	(72,500)
Net cash from financing	-	(16,500)
Net change in cash and cash equivalents	52,401	(31,681)
Cash and cash equivalents, beginning of year	8,015	39,696
Cash and cash equivalents, end of year	$ 60,416	$ 8,015
Supplemental disclosure of cash flow information:		
Income taxes paid, net of refunds	$ (11,478)	$ 13,600

See accompanying notes to the financial statements.

Note A - Organization and Significant Accounting Policies

Organization

Energy Insurance Mutual Limited (the “Company” or “EIM”) is a mutual insurance company incorporated in Barbados on June 13, 1986 and licensed as a Qualifying Insurance Company under Insurance Act Cap. 310 of the Laws of Barbados. On June 9, 1988 EIM was licensed by the State of Florida as an industrial insured captive insurance company. EIM operates as an eligible surplus lines insurer in all other states and the District of Columbia.

The Company is a mutual insurance company with membership available to any utility or member of the energy services industry that meets EIM's underwriting standards. The Company provides excess general liability, excess fiduciary liability and excess directors and officers liability policies written on a claims first made basis. In addition, to a lesser extent the Company writes property insurance for its members. All members have casualty policies in place, approximately one-third of those members have property policies as well. The Company also provides cyber liability coverage to its members.

Basis of Reporting

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") promulgated by the Financial Accounting Standards Board Accounting Standards Codification ("ASC" or "the guidance"). Preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investment in Subsidiaries

The Company is the sponsor and 100% common stockholder of Energy Insurance Services, Inc. (“EIS”), a sponsored cell captive insurance company domiciled in South Carolina. As a sponsored captive, EIS allows EIM members, known as Mutual Business Programs (“MBPs”), to insure or reinsure the risks of their sponsoring organizations, including property, general and environmental liability, asbestos, workers’ compensation and retiree medical stop loss. Through Participation Agreements with the MBPs, the insurance risks underwritten by the MBPs are contractually limited to the funds available in the individual cell’s account and neither EIS nor EIM has any obligation to absorb losses of the MBPs. Likewise, EIS has no right to the capital and accumulated profits of the MBPs cells. EIM does not have the power to direct the activities of the MBPs, which most significantly impact economic performance.

Note A - Organization and Significant Accounting Policies (Continued)

As of December 31, 2018, EIS has assets (exclusive of assets held in MBPs) of approximately $15.3 million, shareholder's equity of $3.5 million and net income of approximately $570,000. As of December 31, 2017, EIS had assets (exclusive of assets held in MBPs) of approximately $14.3 million, shareholder's equity of $2.9 million and net income of approximately $386,000.

The Company considers EIS a variable interest entity, which is not consolidated due to the lack of obligations, rights and powers described above. EIM accounts for its investment in EIS using the equity method of accounting because EIM is not the primary beneficiary of EIS' operations.

During 2015, EIM formed Energy Captive Management, LLC ("ECM") in the State of South Carolina to provide captive management services to EIS. As of December 31, 2018, ECM has assets of approximately $940,000, member's equity of $770,000 and net income of $13,000. As of December 31, 2017, ECM had assets of approximately $917,000, member's equity of $757,000 and net income of $10,000.

Investments
Management determines the appropriate classification of marketable fixed-maturity and equity securities at the time of purchase. The Company's policy is to hold securities for investment purposes and, as such, has reported all securities as available-for-sale. Available-for-sale securities are carried at fair value, with the unrealized gains and losses, net of tax, reported in a separate component of policyholders' surplus. The Company releases the income tax effects from accumulated other comprehensive income as individual securities are sold or mature. Interest and dividends on securities classified as available-for-sale are included in net investment income. Declines in value judged to be other-than-temporary are included as realized losses in the statement of income and comprehensive (loss) income. The cost of securities sold is based on the specific identification method.

Alternative investments include interests in shares of investment funds, limited partnership funds and real estate funds ("the Funds"), which are considered non-marketable. Alternative investments are structured such that the Company holds interest in the Funds and not the underlying holdings of such Funds. The Company's ownership does not provide for control over the related investees, and financial risk is limited to the funded and unfunded commitment for each investment. These Funds are stated at fair value, which is from the most recently reported net asset value as reported by their investment managers or administrators. The Company has elected the fair value option with respect to the Funds, with all gains and losses associated with the Funds recorded directly to the statement of income and comprehensive (loss) income, as a component of net investment income. The use of net asset value as an estimate of the fair value for investments in certain entities that calculate the net asset value is a permitted practical expedient.

Note A - Organization and Significant Accounting Policies (Continued)

These alternative investment funds give investors the right, subject to predetermined redemption procedures, to redeem their investments at net asset value. Since the funds are not actively traded on an exchange, the fair values are subject to judgment and uncertainty.

The financial statements of the Funds are audited annually by independent auditors, although the timing for reporting the results of such audits may not coincide with the Company's financial reporting.

Cash and Cash Equivalents
The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. The Company maintains certain cash and cash equivalent balances that are not subject to FDIC insurance. Management does not believe these balances represent a significant credit risk to the Company.

Losses and Loss Adjustment Expense Reserves
The reserve for losses and loss adjustment expenses ("LAE") represents the estimated ultimate gross cost of all reported and unreported losses unpaid through December 31. Case reserves represent the estimated future payments on reported losses. Case reserves are continually reviewed and updated; however, given the uncertainty regarding the extent of the Company's ultimate liability, a significant additional liability could develop. Supplemental reserves (e.g., IBNR) are recorded based on actuarial projections. Although considerable variability is inherent in these estimates, particularly due to the limited number of claims to date, management believes that the aggregate reserve for losses and LAE is adequate. These estimates are periodically reviewed and adjusted as experience develops or new information becomes known. Such adjustments are included in current operations.

Premiums
Direct and assumed premiums are recognized as revenue on a pro-rata basis over the policy term. The portion of premiums that will be earned in the future is deferred and reported as unearned premiums. The Company pays commissions on assumed business, which is initially capitalized and expensed over the life of the policy.

Reinsurance
In the normal course of business, the Company seeks to reduce the loss that may arise from large claims, catastrophes or other events by reinsuring certain levels of risk in various areas of exposure with other insurance companies. Reinsurance premiums, ceding commissions, loss reimbursement and reinsurance recoverables on unpaid claims are accounted for on a basis consistent with that used in accounting for the original policies or claims.

Note A - Organization and Significant Accounting Policies (Continued)

Management periodically reviews the financial condition of its existing reinsurers and concludes as to whether any allowance for uncollectible reinsurance is required. At December 31, 2018 and 2017, no such allowances were deemed necessary.

Deferred Policy Acquisition Costs
Commissions and other costs of acquiring insurance that are directly related to the successful acquisition of new and renewal business are deferred and amortized over the life of the policy to which they relate. These costs are deferred, net of related ceding commissions, to the extent recoverable, and are amortized over the period during which the related premiums are earned.

Income Taxes
Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

The Company and its subsidiaries file a consolidated federal income tax return. Income taxes are allocated based on separate return calculations.

Policyholder Distributions
As a mutual insurer, EIM is owned by its policyholders. Policyholder distributions are released from excess surplus and are charged to income when declared by the Board of Directors. During 2018 and 2017, the Board of Directors approved the declaration of policyholder distributions in the amount of $75 million and $40 million, respectively.

Reclassifications
In 2017, the Company has elected to early adopt Accounting Standards Update 2018-02, *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. This update was issued directly in response to the Tax Cuts and Jobs Act of 2017, to alleviate certain stranded tax effects. As shown on the Statements of Changes in Policyholders' Surplus, this resulted in the Company reclassifying stranded taxes on net unrealized gains of $46.8 million between accumulated other comprehensive loss and members' account balance as of December 31, 2017.

Subsequent Events
The Company has evaluated subsequent events for disclosure and recognition through February 27, 2019, the date on which these financial statements were available to be issued.

Note B - Insurance Activity

Premium activity for 2018 and 2017 is summarized as follows *(in Thousands of U.S. Dollars)*:

2018	Direct	Assumed	Ceded	Net
Premiums written	$ 217,054	$ 4,472	$ (79,134)	$ 142,392
Change in unearned premiums	5,855	(601)	8,521	13,775
Premiums earned	$ 222,909	$ 3,871	$ (70,613)	$ 156,167

2017	Direct	Assumed	Ceded	Net
Premiums written	$ 223,271	$ 3,687	$ (76,232)	$ 150,726
Change in unearned premiums	(6,028)	127	(908)	(6,809)
Premiums earned	$ 217,243	$ 3,814	$ (77,140)	$ 143,917

Activity in the liability for losses and LAE is summarized as follows *(in Thousands of U.S. Dollars)*:

	2018	2017
Gross balance, beginning of year	$ 563,971	$ 673,877
Less: reinsurance recoverables on unpaid losses and LAE	(225,579)	(338,780)
Net balance, beginning of year	338,392	335,097
Incurred related to:		
Current year	158,000	150,707
Prior years	(44,833)	(65,287)
Total incurred	113,167	85,420
Paid related to:		
Current year	186	93
Prior years	19,460	82,032
Total paid	19,646	82,125
Net balance, end of year	431,913	338,392
Plus: reinsurance recoverables on unpaid losses and LAE	264,056	225,579
Gross balance, end of year	$ 695,969	$ 563,971

During 2018, incurred losses and LAE attributable to events of prior years decreased by approximately $44.8 million. The favorable development of prior year losses related primarily to prior accident years 2016 and 2017, which decreased by approximately $53.7 million. Unfavorable development occurred in accident year 2015, which increased $11.2 million.

Note B - Insurance Activity (Continued)

For the year ended December 31, 2017, incurred losses and LAE attributable to events of prior years decreased by approximately $65.3 million. The favorable development of prior year losses related primarily to prior accident years 2013, 2014, 2015 and 2016, which decreased by approximately $49M. Remaining favorable development of $16.3 million was due to all other accident years with varying redundancies.

The reconciliation of the net incurred and paid losses development tables to the liability for losses and LAE on the balance sheet as of December 31, 2018 is as follows *(in Thousands of U.S. Dollars*):

Net liabilities for unpaid losses and allocated LAE	$	420,413
Reinsurance recoverables on unpaid losses and allocated LAE		264,056
Unallocated LAE		11,500
Gross liability for unpaid losses and LAE	$	695,969

The following is information about incurred and cumulative paid losses and allocated LAE, net of reinsurance, total incurred-but-not-reported ("IBNR") liabilities plus expected development on reported claims, net of reinsurance and the cumulative number of reported claims as of December 31, 2018 *(in Thousands of U.S. Dollars, Except Number of Claims Data)*:

Accident Year		Incurred		Cumulative Paid		IBNR Plus Expected Development on Reported Claims	Cumulative Number of Reported Claims
2009	$	121,369	$	120,671	$	698	210
2010		107,209		106,521		688	178
2011		11,753		10,712		869	209
2012		86,057		77,104		4,235	223
2013		125,340		106,280		9,235	221
2014		54,037		13,474		(1,308)	207
2015		169,930		142,445		26,292	212
2016		69,607		12,580		31,520	301
2017		112,609		2,270		65,189	253
2018		153,984		187		48,965	168
Total	$	1,011,895	$	592,244	$	186,383	

Methodology for Determining Losses and LAE Reserves: With the assistance of a consulting actuary, generally accepted actuarial reserving techniques are utilized to project the estimate of ultimate losses and LAE at each reporting date.

Methodology for Determining Cumulative Number of Reported Claims: Cumulative number of reported claims include open and closed claims by accident year at the claimant level.

Note B - Insurance Activity (Continued)

The Company uses excess of loss reinsurance to protect against severe losses on the directors and officers, general partner, general liability and fiduciary liability books of business. After certain deductibles or retentions have been satisfied, the maximum amount that could be recoverable under the 2018 and 2017 reinsurance treaties is $240,000,000, with respect to general liability and $87,000,000 with respect to directors and officers, general partner and fiduciary liability.

Beginning in 2003, the Company entered into a reinsurance arrangement with Nuclear Electric Insurance Limited ("NEIL") whereby NEIL provides excess of loss reinsurance on the directors and officers and general partner book of business for 80% of $20,000,000 in excess of $30,000,000.

The property book of business is primarily reinsured by NEIL. In addition, the Company also has an arrangement with NEIL whereby its non-nuclear property book of business is fronted by EIM.

During 2009, EIM entered into a Reinsurance Treaty Trust Account Agreement ("Trust") with NEIL to collateralize the losses and LAE due to EIM under reinsurance agreements. EIM has been listed as the beneficiary of the Trust. As of December 31, 2018 and 2017, the total fair value of the assets held in the Trust were $830,126,000 and $973,685,000, which collateralized $78,145,000 and $61,521,000 in reinsurance recoverables on losses and LAE, respectively.

During 2017, EIM entered into a reinsurance agreement with Oil Casualty Insurance Limited ("OCIL") whereby OCIL provided coverage for 60% of $25,000,000 in excess of $75,000,000 for all general liability policies issued during the year. The contract was not renewed for 2018 . During 2018, OCIL established a letter of credit to serve as collateral that named the Company as the beneficiary. OCIL secures the remainder of its obligations through a trust arrangement. As of December 31, 2018 and 2017, the combined collateral held in the trust and letter of credit were $42,989,000 and $52,299,000, which collateralized $37,799,000 and $35,281,000 in reinsurance recoverables on losses and LAE, respectively.

The Company writes directly and assumes certain members' cyber liability risk. A portion of this business is ceded to NEIL.

Reinsurance ceded contracts do not relieve the Company from its obligations to policyholders. The Company remains liable to its policyholders for the portion reinsured to the extent that the reinsurer does not meet the obligations assumed under the reinsurance agreement. The reinsurance recoverable on paid and unpaid losses is substantially due from NEIL, OCIL, National Indemnity Company and various Lloyds of London syndicates, comprising 30%, 14%, 15% and 15%, respectively, of the balance at December 31, 2018. At December 31, 2017 the reinsurance recoverable on paid and unpaid losses due from NEIL, OCIL and various Lloyds of London Syndicates comprised of 27%, 16%, and 17%, respectively . The remaining balance is comprised of amounts due from various reinsurers, each not exceeding 12% of the total for 2018 and 2017.

Note C - Investments

As of December 31, 2018, the cost or amortized cost, gross unrealized gains, gross unrealized losses, other-than-temporarily impaired ("OTTI") and fair value of marketable fixed-maturity and equity securities are summarized as follows *(in Thousands of U.S. Dollars)*:

2018	Cost or Amortized Cost	Other-than-temporarily Impaired	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury & agencies	$ 98,350	$ -	$ 1	$ (1,535)	$ 96,816
U.S. state and municipal obligations	385,186	-	13,449	(537)	398,098
Corporate debt securities	196,626	-	946	(3,022)	194,550
Mortgage-backed securities	357,089	(8,580)	3,650	(5,070)	347,089
Foreign government debt	2,063	-	23	(68)	2,018
Domestic equities	104,637	(1,599)	196,063	(5,434)	293,667
Foreign equities	83,648	(154)	45,005	(7,020)	121,479
Total investments	$ 1,227,599	$ (10,333)	$ 259,137	$ (22,686)	$ 1,453,717

As of December 31, 2017, the cost, gross unrealized gains, gross unrealized losses, other-than- temporarily impaired and fair value of marketable fixed-maturity and equity securities are summarized as follows *(in Thousands of U.S Dollars)*:

2017	Cost or Amortized Cost	Other-than-temporarily Impaired	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury & agencies	$ 90,378	$ -	$ 615	$ (403)	$ 90,590
U.S. state and municipal obligations	518,790	-	25,812	(156)	544,446
Corporate debt securities	132,326	-	2,192	(463)	134,055
Mortgage-backed securities	266,083	(9,798)	4,181	(2,134)	258,332
Foreign government debt	1,644	-	51	(13)	1,682
Domestic equities	81,161	(1,708)	240,531	(622)	319,362
Foreign equities	79,096	(186)	69,427	(4,691)	143,646
Total investments	$ 1,169,478	$ (11,692)	$ 342,809	$ (8,482)	$ 1,492,113

As of December 31, 2018, less than 1% of all debt securities have a below investment-grade bond rating by at least one nationally recognized credit rating agency or the equivalent.

Note C - Investments (Continued)

The Company's investment objective for equities is to emulate the returns of the S&P 900 and to a lesser extent the MSCI EAFE index for its domestic and international equity portfolios, respectively.

The cost and estimated fair value of fixed-maturity securities at December 31, 2018, by contractual maturity, are summarized below *(in Thousands of U.S. Dollars)*. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Mortgage-backed securities have been aged by their respective maturity dates.

	Cost or Amortized Cost	Fair Value
Maturity:		
In 2019	$ 51,738	$ 51,649
In 2020-2024	211,739	210,709
In 2025-2029	211,728	212,151
Due after 2030	564,109	564,062
Total fixed-maturity securities	$ 1,039,314	$ 1,038,571

Gross gains of approximately $43,182,000 and $24,561,000 and gross losses of ($10,246,000) and ($8,682,000), during 2018 and 2017 respectively, were realized on sales.

The Company regularly reviews its fixed-maturity and equity securities portfolios to evaluate the necessity of recording impairment losses for other-than-temporary declines in the fair value. In evaluating potential impairment, management considers, among other criteria: (i) the current fair value compared to amortized cost or cost, as appropriate; (ii) the length of time the security's fair value has been below amortized cost or cost; (iii) specific credit issues related to the issuer such as changes in credit rating, reduction or elimination of dividends or non-payment of scheduled interest payments; (iv) management's intent and ability to retain the investment for a period of time sufficient to allow for any anticipated recovery in value to cost; (v) specific cash flow estimations for certain mortgage-backed securities; and (vi) current economic conditions.

Impaired securities are assessed when the decline in fair value is below the amortized cost basis for a specified duration. OTTI losses are recorded in the statement of income and comprehensive income as net realized losses on investments, and result in a permanent reduction of the cost basis of the underlying investment. The determination of OTTI is a subjective process, and different judgments and assumptions could affect the timing of loss realization. For the year ended December 31, 2018 and 2017, the Company determined that no investments were other-than-temporarily impaired.

Note C - Investments (Continued)

The following tables show gross unrealized losses and fair values of investments, aggregated by investment category, and the length of time that individual investments have been in a continuous unrealized loss position, at December 31 *(in Thousands of U.S. Dollars)*:

	Less than one year		One year or more		Total	
2018	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury & agencies	$ 57,849	$ (764)	$ 18,971	$ (771)	$ 76,820	$ (1,535)
U.S. state and municipal obligations	45,334	(515)	1,950	(22)	47,284	(537)
Corporate debt securities	88,945	(2,059)	27,928	(963)	116,873	(3,022)
Mortgage-backed securities	102,187	(1,194)	121,667	(3,876)	223,854	(5,070)
Foreign government debt	1,002	(49)	532	(19)	1,534	(68)
Domestic equities	30,525	(5,134)	839	(300)	31,364	(5,434)
Foreign equities	5,925	(852)	54,214	(6,168)	60,139	(7,020)
Total temporarily impaired securities	$ 331,767	$ (10,567)	$ 226,101	$ (12,119)	$ 557,868	$ (22,686)

	Less than one year		One year or more		Total	
2017	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury & agencies	$ 63,795	$ (403)	$ 198	$ -	$ 63,993	$ (403)
U.S. state and municipal obligations	26,115	(48)	2,866	(108)	28,981	(156)
Corporate debt securities	49,180	(313)	8,979	(150)	58,159	(463)
Mortgage-backed securities	129,723	(842)	55,008	(1,292)	184,731	(2,134)
Foreign government debt	566	(13)	10	-	576	(13)
Domestic equities	4,005	(466)	1,222	(156)	5,227	(622)
Foreign equities	8,275	(709)	107,680	(3,982)	115,955	(4,691)
Total temporarily impaired securities	$ 281,659	$ (2,794)	$ 175,963	$ (5,688)	$ 457,622	$ (8,482)

As of December 31, 2018, the Company had 852 fixed-maturity securities with unrealized losses. This included two with aggregate unrealized losses of $7,944 which were 20% or greater than the cost. As of December 31, 2017, the Company had 657 fixed-maturity securities with unrealized losses. This included three with aggregate unrealized losses of $18,000, which were 20% or greater than the cost.

Note C - Investments (Continued)

The Company has evaluated these fixed-maturity securities and believes the unrealized losses are due primarily to temporary market and sector-related factors rather than to issuer specific-factors. Management does not intend to sell, and it is more likely than not that the Company will not be required to sell the securities before recovery. The Company does not consider these securities to be other-than-temporarily impaired.

Of the 744 equity securities with unrealized losses, 58 with unrealized losses of $6,884,000 were 20% or greater than the cost and have been in a continuous loss position for longer than a year at December 31, 2018. Of the 486 equity securities with unrealized losses, 26 with unrealized losses of $1,250,000 were 20% or greater than the cost and have been in a continuous loss position for longer than a year at December 31, 2017. The Company has evaluated these securities based on past earnings trends, analysts' reports and analysts' earnings expectations. Management does not intend to sell, and it is more likely than not that the Company will not be required to sell the securities before recovery. The Company does not consider these securities to be other-than-temporarily impaired.

The composition of net investment income is summarized below *(in Thousands of U.S. Dollars)*:

	2018	2017
Interest income	$ 34,807	$ 30,242
Dividend income	13,816	12,758
Income from subsidiaries	362	209
Income from alternative investments	3,633	409
Other	(26)	(27)
Gross investment income	52,592	43,591
Investment management fees	(4,669)	(4,251)
Interest expense	(44)	(179)
Net investment income	$ 47,879	$ 39,161

Note C - Investments (Continued)

The Company's estimates of fair value for financial assets and financial liabilities are based on the framework established in the *Fair Value Measurements and Disclosures* accounting guidance. The framework is based on the inputs used in valuation and requires that observable inputs be used in the valuations when available. The disclosure of fair value estimates in the fair value accounting guidance includes a hierarchy based on whether significant valuation inputs are observable. In determining the level of the hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs that reflect the Company's significant market assumptions. The three levels of the hierarchy are as follows:

Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities traded in active markets. Included are those investments traded on an active exchange, such as the NASDAQ Global Select Market.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and market-corroborated inputs. Included are investments in U.S. Treasury securities and obligations of U.S. government agencies, together with municipal bonds, corporate debt securities, commercial mortgage and asset-backed securities, certain residential mortgage-backed securities that are generally investment grade and certain equity securities.

Level 3 – Inputs to the valuation methodology are unobservable for the asset or liability and are significant to the fair value measurement. Material assumptions and factors considered in pricing investment securities may include projected cash flows, collateral performance including delinquencies, defaults and recoveries, and any market clearing activity or liquidity circumstances in the security or similar securities that may have occurred since the prior pricing period.

Fair values are based on quoted market prices when available (Level 1). The Company receives the quoted market prices from a third party, nationally recognized pricing service ("pricing service"). When market prices are not available, the Company utilizes a pricing service to determine an estimate of fair value, which is mainly used for its fixed-maturity investments' fair value. The fair value is generally estimated using current market inputs for similar financial instruments with comparable terms and credit quality, commonly referred to as matrix pricing (Level 2). In instances where there is little or no market activity for the same or similar instruments, the Company estimates fair value using methods, models and assumptions that management believes are relevant to the particular asset or liability. This may include discounted cash flow analysis or other income based approaches (Level 3). These valuation techniques involve some level of management estimation and judgment. Where appropriate, adjustments are included to reflect the risk inherent in a particular methodology, model or input used and are reflective of the assumptions that market participants would use in valuing assets or liabilities.

Note C - Investments (Continued)

The following table presents the Company's investment securities within the fair value hierarchy, and the related inputs used to measure those securities at December 31, 2018 *(in Thousands of U.S. Dollars)*:

	Total	Level 1	Level 2	Level 3
Fixed-maturity	$ 1,038,571	$ -	$ 1,038,571	$ -
Equities	415,146	415,146	-	-
Total	$ 1,453,717	$ 415,146	$ 1,038,571	$ -

There were no transfers between fair value levels during 2018 and 2017.

EIM has policyholders who are also represented in the S&P 900. At December 31, 2018 and 2017, EIM holds investments with a total fair value of approximately $32 million and $37 million, respectively, in issuers who are also policyholders.

The alternative investment funds include the following as of December 31 *(in Thousands of U.S. Dollars)*:

	2018 Fair Value	2017 Fair Value	Redemption Frequency	Redemption Notice Period
Catastrophe reinsurance	$ 27,946	$ 19,305	Quarterly	90 days
High yield bank loan	87,510	72,738	Monthly	30 days
Core real estate	95,709	89,315	Quarterly	45 days
Industrial real estate	1,702	-	Quarterly	60 days
Total	$ 212,867	$ 181,358		

The catastrophe reinsurance class includes funds with investments primarily in portfolios of traditional reinsurance and other insurance-based investment instruments that have returns tied to property and casualty catastrophe risk. In addition, this class may hold cash, treasury bills and money market funds. The investors in this class have limited redemption rights that may be suspended from time to time.

The high yield bank loan class includes funds that invest in a diversified portfolio consisting primarily of direct or indirect interests in noninvestment grade, floating rate bank loans.

The real estate class includes three funds that invest primarily in industrial, retail, office and multifamily housing.

The fair values of all alternative investment fund classes have been estimated using the net asset value per share of investments. As of December 31, 2018 the Company had unfunded commitments of $13 million with the three real estate funds. No such commitments were made to the funds as of December 31, 2017.

Note D - Federal Income Taxes

The components of the provision for federal income taxes for the years ended December 31, 2018 and 2017 are as follows *(in Thousands of U.S. Dollars)*:

	2018	2017
Current income tax benefit (expense)	$ 2,285	$ (9,541)
Deferred income tax benefit (expense)	1,533	(2,613)
Deferred income tax benefit - legislative rate change	-	40,919
Total income tax benefit	$ 3,818	$ 28,765

Deferred federal income taxes arise from temporary differences between the valuation of assets and liabilities as determined for financial reporting purposes and federal income tax purposes. As of December 31, 2017, the Company measured its deferred tax items at its effective tax rate of 21%. On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the "Act") was signed into law. The Act reduced the Company's 2018 corporate federal tax rate from 35% to 21%, among other things. As a result of the Act, the Company's temporary differences are measured at a rate of 21% as of December 31, 2018 and 2017. The Company previously applied the guidance of the SEC Staff Accounting Bulleting 118 when accounting for the tax effects of the Act in the 2017 financial statements. The Company has now completed its accounting for all of the tax effects of the Act and recognized an adjustment of $2.8 million in 2018 related to the provisional amounts recorded on December 31, 2017, of which $346,000 of tax expense has been recognized in 2018 and the remainder will be recognized over the next 7 years.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31 are as follows *(in Thousands of U.S. Dollars)*:

	2018	2017
Deferred tax assets:		
Unpaid losses and LAE	$ 5,394	$ 3,436
Unearned premiums	3,728	3,638
Accrued expenses	2,438	2,071
Other-than-temporary impairment	1,911	2,196
Total deferred tax assets	13,471	11,341
Deferred tax liabilities:		
Unrealized capital gains, net	(53,680)	(70,209)
Alternative investment loss (income)	2,091	(1,459)
Premium amortization	(664)	(592)
Other	(514)	(464)
Total deferred tax liabilities	(52,767)	(72,724)
Net deferred tax liability	$ (39,296)	$ (61,383)

Note D - Federal Income Taxes (Continued)

The provision for federal income tax differs from the amount derived by applying the statutory federal tax rates to pretax income for financial reporting purposes due primarily to tax exempt investment income and enacted tax rate change from 35% to 21% beginning in 2018.

The Company is required to establish a "valuation allowance" for any portion of the deferred tax asset that management believes will not be realized. The Company has historically been a taxpayer, and in the opinion of management, will continue to be in the future. Management believes that it is more likely than not that the Company will realize the benefit of the deferred tax assets, therefore no valuation allowance has been established.

During 2003, the Company applied for, and was granted an exemption from Barbados income tax by the Minister of Finance under the Duties, Taxes and Other Payment (Exemption) Act. Federal income taxes incurred by the Company are determined in accordance with the provisions of the Internal Revenue Code.

At December 31, 2018 and 2017, the Company determined there are no material unrecognized tax benefits, and no adjustments to liabilities or operations were required.

Note E - Related Party Transactions

As described in Note A, the Company has two subsidiaries, EIS and ECM. During 2018 and 2017, EIM provided reinsurance to certain EIS cells. For the years ended December 31, 2018 and 2017, premiums earned included $960,000 and $362,000 of premium assumed from EIS, respectively. During 2018, EIM ceded premiums earned of $165,000 to EIS. EIS reimburses ECM for certain expenses incurred related to administration of EIS, plus a service fee.

Note F - Commitments and Contingencies

The Company is named as defendant in various legal actions arising in the normal course of business from claims made under insurance policies and contracts. These actions are considered by the Company in estimating the loss and LAE reserves. The Company's management believes that the resolution of these actions will not have a material adverse effect on the Company's financial position or results of operations.

Note G - Trust Funds and Deposits

The Company has established a trust fund with a federally insured depository. This trust fund serves as security for policyholders and third-party claimants to satisfy requirements for being listed as an alien surplus lines insurer by the National Association of Insurance Commissioners. The Company is required to maintain a minimum amount of the lesser of $150,000,000 or $5,400,000 plus 30% for liabilities arising from business on or after January 1, 1998. At December 31, 2018 and 2017, the balance in the trust fund was in excess of $150,000,000. In addition, the State of Florida has required the Company to deposit $300,000 as security for the Company's policyholders and creditors. The trust funds and deposit balances have been included in the accompanying balance sheets as available-for-sale investments, including both fixed-maturity securities and equities.

Note H - Line of Credit

The Company has a $75,000,000 line of credit used solely to fund claim payments that are subject to reinsurance recovery. As of December 31, 2018 and 2017, there was no outstanding balance on the line of credit. During 2018 and 2017, draws on the line of credit amounted to $30,000,000 and $56,000,000, respectively, and subsequent repayments amounted to $30,000,000 and $72,500,000, respectively.

Note I - Retiree Medical Benefits

The Company provides employees with a Post-Retirement Medical, Dental and Vision Plan ("the Plan"). The Plan is available to retirees (upon fulfilling eligibility requirements), their spouses and dependents as a continuation of the healthcare plan available to active employees. Currently the benefits are self insured, with a third party stop-loss reinsurance arrangement. Retirees are not required to make contributions for coverage. Employees hired after December 31, 2011, are required to contribute 50% of the medical plan COBRA rate, upon fulfilling the eligibility requirements under the Plan. Employees hired after June 1, 2017 are not eligible under the Plan. The Plan is unfunded.

The assumed discount rate used to determine the benefit obligation is 4.50% for 2018. The assumed healthcare cost trend rate is 6.2% for 2018, trending to 4.5% by 2037. The Company recognized a liability representing the actuarially determined accumulated post-retirement benefit obligation in the amount of $8,448,000 and $9,862,000 as of December 31, 2018 and 2017, respectively.

Note J - Margin of Solvency

In order to meet the requirements of a Qualifying Insurance Company under the Insurance Act Cap. 310 of the Laws of Barbados, the Company must have contributed reserves of $15 million. The policyholders' surplus provided an excess margin of solvency of approximately $1.1 billion at December 31, 2018.

Required Supplementary Information

Energy Insurance Mutual Limited

Required Supplementary Information (unaudited)

The following is information about incurred and paid claims development, net of reinsurance for years ended December 31 *(in Thousands of U.S. Dollars)*.

Accident Year	Incurred Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
2009	$ 79,351	$ 77,157	$ 45,819	$ 153,011	$ 138,768	$ 132,454	$ 123,470	$ 121,936	$ 121,486	$ 121,369
2010		116,915	112,363	103,530	102,072	113,639	110,480	108,453	107,382	107,209
2011			74,159	70,584	44,988	40,534	16,729	15,245	11,946	11,753
2012				118,098	98,195	114,696	101,068	89,380	87,776	86,057
2013					107,503	80,064	133,300	125,652	118,521	125,340
2014						104,082	74,447	66,923	57,845	54,037
2015							152,607	172,589	158,105	169,930
2016								101,671	87,042	69,607
2017									146,429	112,609
2018										153,984
Total										$l,011,895

Energy Insurance Mutual Limited

Required Supplementary Information (unaudited) (Continued)

Accident Year	Cumulative Paid Losses and Allocated Loss Adjustment Expenses, Net of Reinsurance									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
2009	$ 979	$ 1,553	$ 2,019	$ 2,177	$ 113,881	$ 120,629	$ 120,635	$ 120,635	$ 120,671	$ 120,671
2010		721	79,976	81,026	81,541	81,690	81,496	81,513	106,520	106,521
2011			876	5,560	8,851	9,981	10,257	10,647	10,649	10,712
2012				1,210	6,132	9,324	38,781	40,039	72,804	77,104
2013					1,527	3,036	55,626	94,806	100,665	106,280
2014						1,450	1,986	2,398	13,411	13,474
2015							695	141,523	142,183	142,445
2016								483	6,555	12,580
2017									93	2,270
2018										187
Total										$ 592,244

Reconciliation of incurred to liabilities for losses and loss adjustment expenses, net of reinsurance:

Incurred losses and allocated loss adjustment expenses, net of reinsurance	$1,011,895
Less cumulative paid losses and allocated loss adjustment expenses, net of reinsurance	(592,244)
All outstanding liabilities before 2009, net of reinsurance	762
Liabilities for losses and loss adjustment expenses, net of reinsurance	$ 420,413

Energy Insurance Mutual Limited

Required Supplementary Information (unaudited) (Continued)

The following is the average historical claims duration as of December 31, 2018:

	Average Annual Percentage Payout of Incurred Claims by Age									
Years	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
	1.6 %	24.0 %	10.6 %	13.8 %	16.8 %	10.3 %	1.3 %	7.9 %	- %	- %