

MEMBER SURVEY RESULTS - 2016

Executive Summary

The 2016 Member Company survey addressed a number of areas, including respondent familiarity with and communication from IAC members; EIM underwriting, financial and claims performance; and the effectiveness of Energy Insurance Services, Inc. (EIS). The survey also canvassed members and brokers about emerging issues and the risk management concerns that EIM must address over the next 3-5 years, and 5-10 years. Finally, the survey inquired about interest in and support for the mutual-company sponsored Energy School.

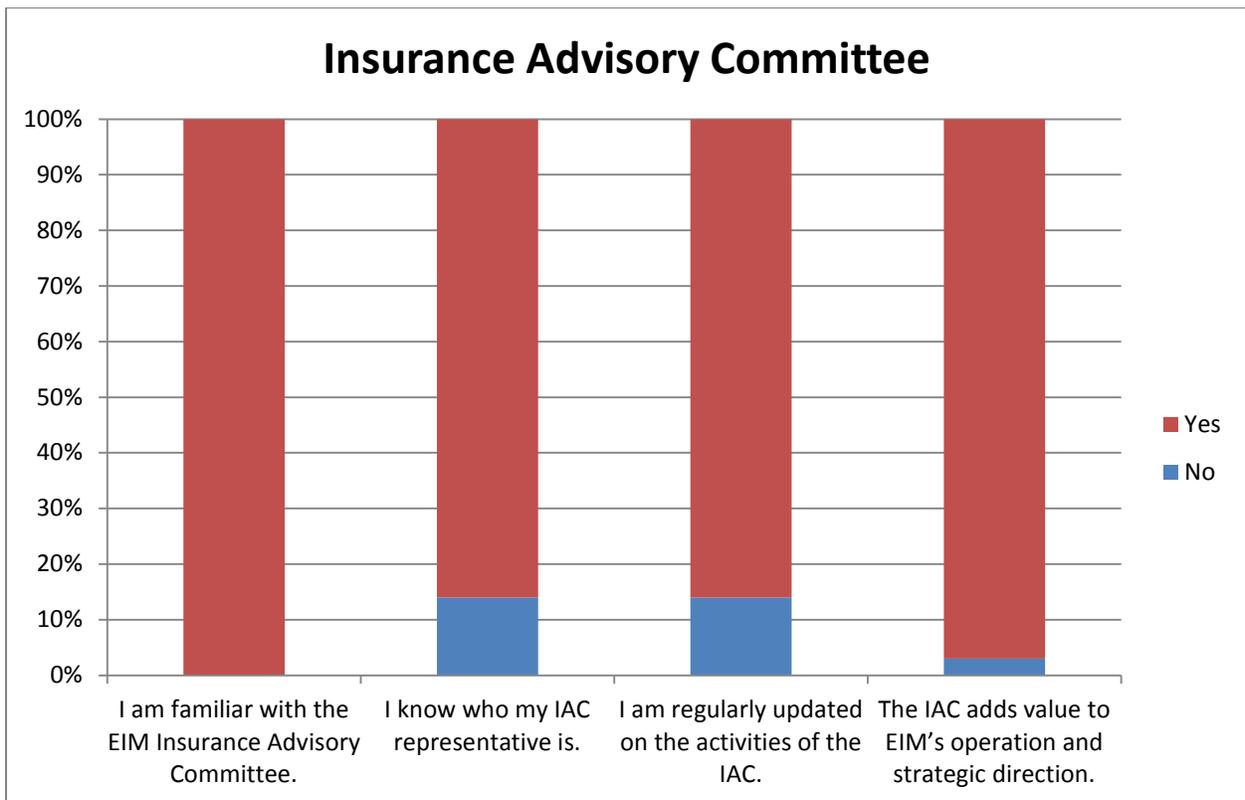
The survey was provided to both Member Companies and brokers whose responses were separately collated. In most instances, however, Member Company and broker responses were very similar. Overall, approximately 100 survey responses were received with Member Companies providing the majority of responses. A summary of survey responses is attached as Appendix A.

Survey responses were very positive, with the IAC, EIM, and EIS scoring well in terms of communication, value-added and professionalism. Challenges include: (1) positioning EIM to respond to emerging risk management issues occasioned by an evolving energy landscape that, over time, will embrace new technologies such as distributed generation, renewables, micro-grids and energy storage; (2) increasing the percentage of Members who are prepared to consider risk management alternatives through EIS; and (3) maintaining ongoing participation in the Energy School.

The following summarizes survey responses and comments on the impact of each response.

1. Insurance Advisory Committee

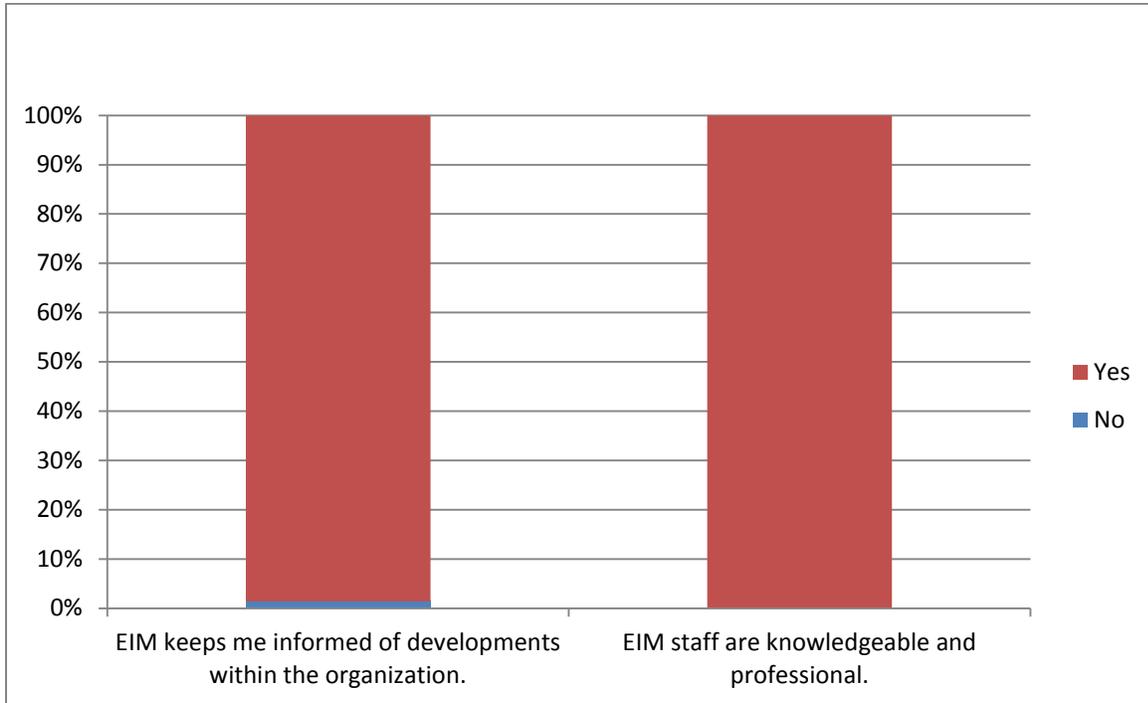
The Insurance Advisory Committee (IAC) enjoys a high level of familiarity (100%) with Member Companies. In addition, the IAC benefits from regular personal contact with member company risk managers as evidenced by the fact that 86% of survey respondents reported that they knew their IAC representative. A substantial majority of members (86%) also confirmed that they are regularly updated on IAC activities, and 97% confirmed that the IAC adds value to EIM's operation and strategic direction.



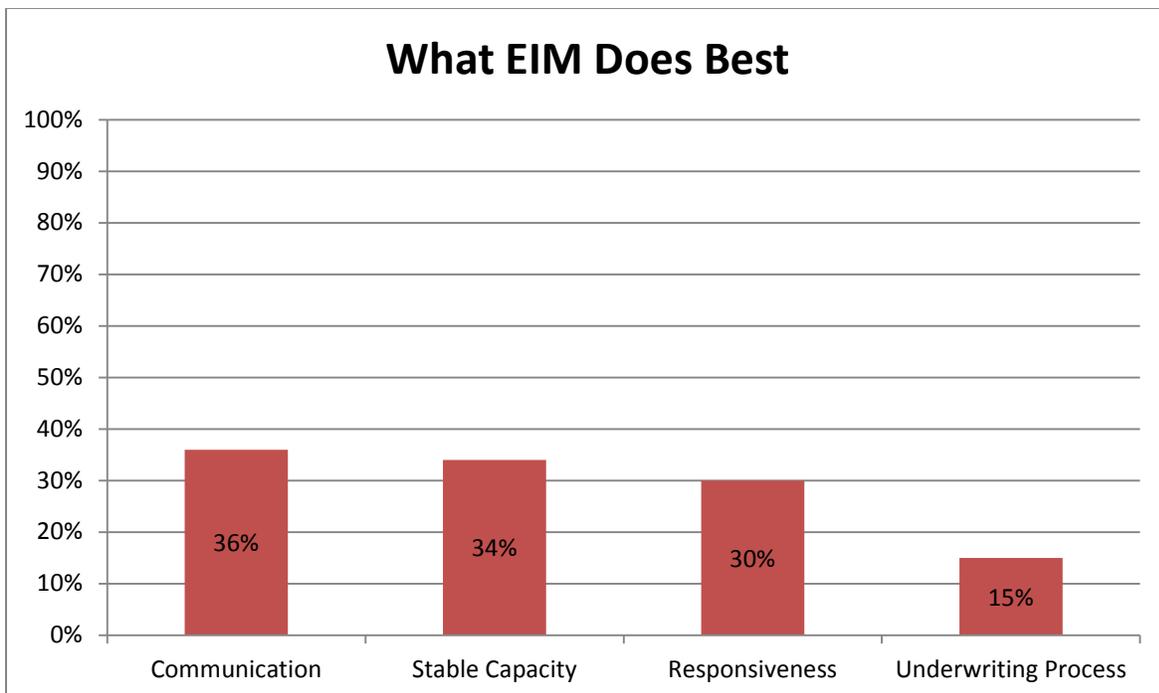
The survey results reflect that the IAC has done a good job keeping members apprised of ongoing activities and adding value to EIM's operating and strategic vision. As the IAC continues to address emerging industry issues, it will be important to continue this high level of communication.

2. Energy Insurance Mutual - General

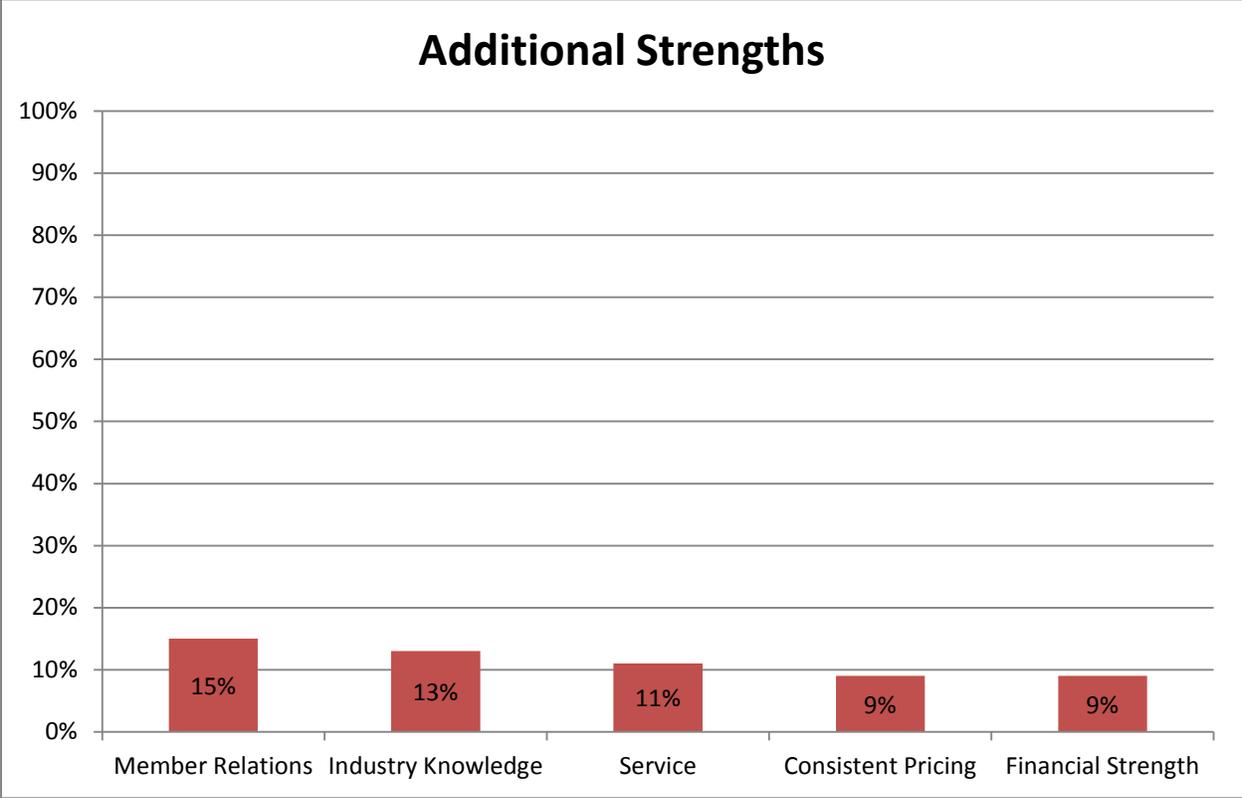
Almost 99% of respondents agreed that EIM kept them informed of developments within the organization, and 100% of respondents confirmed that EIM staff is knowledgeable and professional.



When asked to identify three things that EIM does best, survey respondents identified communication, stable capacity, responsiveness and member relationships as areas where EIM distinguishes itself.



Other areas where EIM stands out include efficient underwriting processes, industry knowledge, service, consistent pricing, and financial strength.

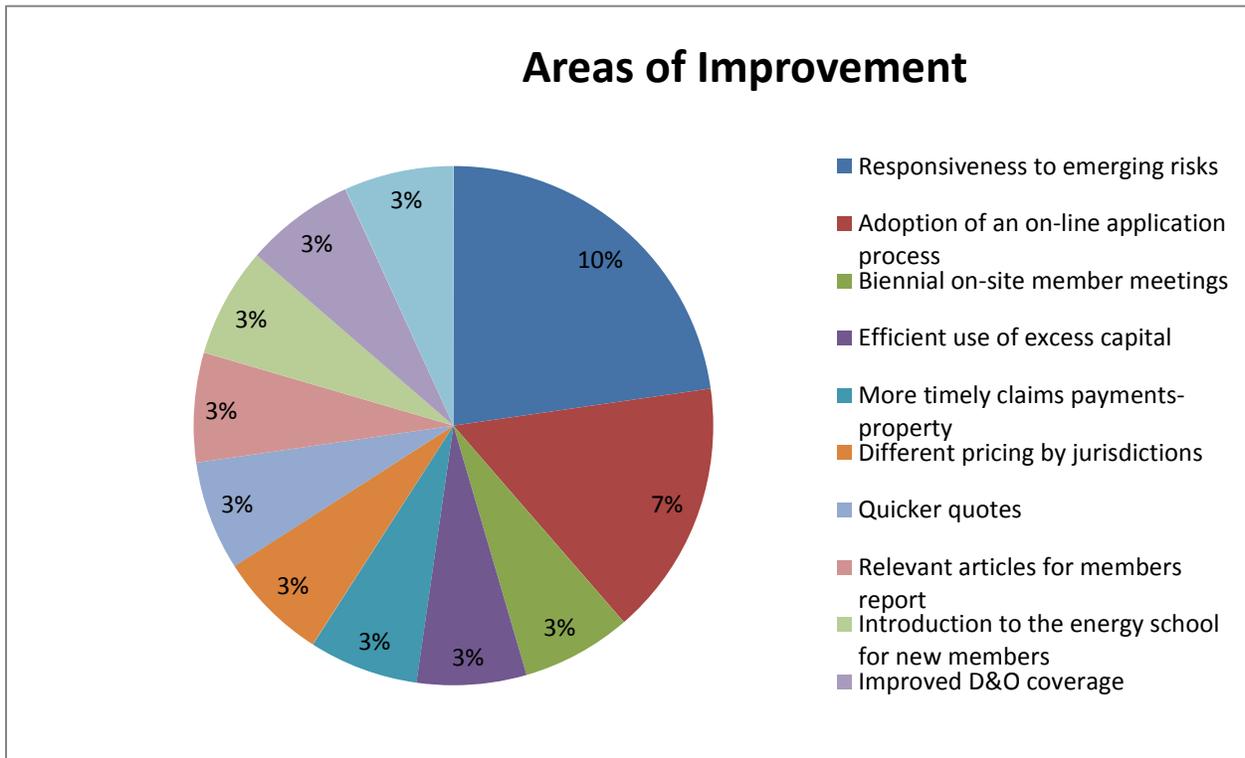


Additional areas identified by respondents included claims handling (3), spirit of mutuality (3), distributions (2) and enterprise risk management (1).

On balance, EIM’s perceived strengths are consistent with the Company’s mission and vision, and correspond to EIM’s member focus, financial, business process and people initiatives.

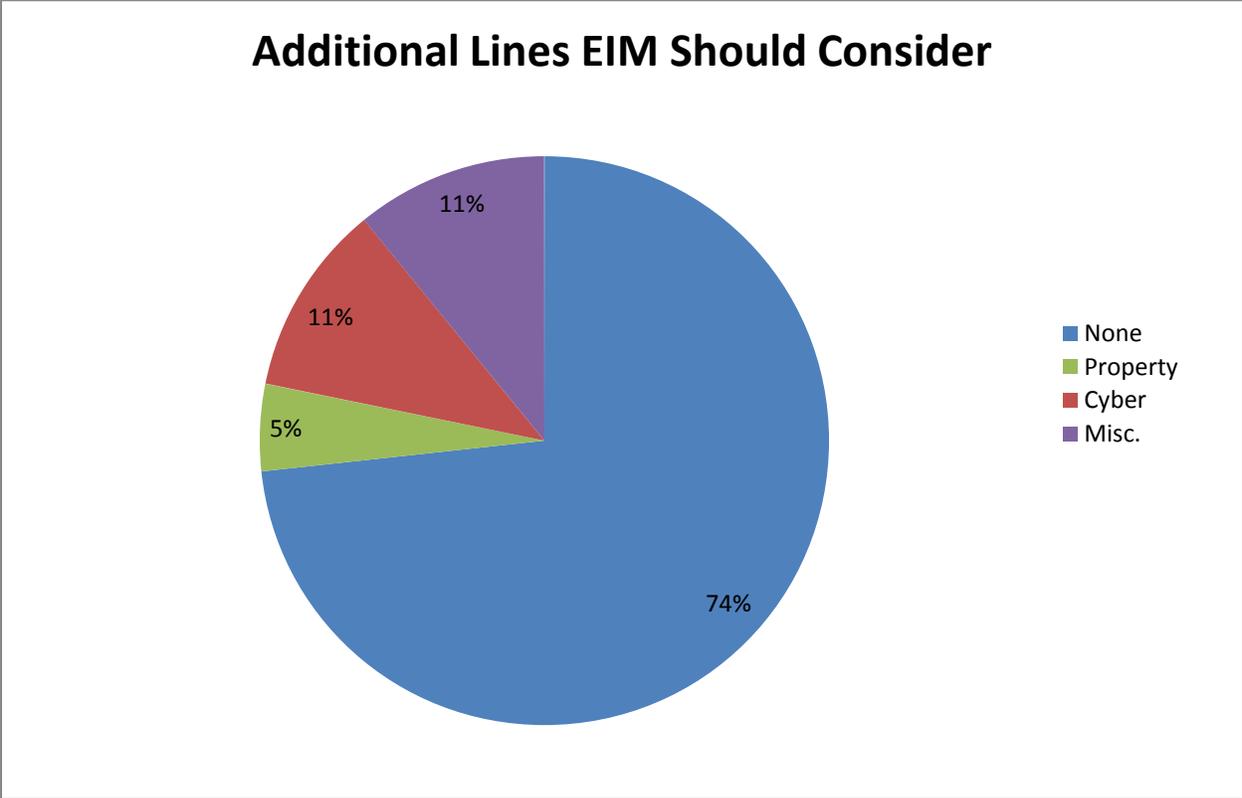
*() represents number of respondents

When asked about areas where EIM could improve, survey participants identified responsiveness to emerging risks (3), adoption of an on-line application process (2), biennial on-site member meetings (1), efficient use of excess capital (1), more timely claims payments-property (1), different pricing by jurisdictions (1), quicker quotes (1), relevant articles for members report (1), introduction to the Energy School for new members (1), improved D&O coverage (1), and more property catastrophe capacity (1).



While no single recommendation for improvement received overwhelming support, EIM will consider each suggestion as it drafts its updated strategic plan.

In response to an inquiry about additional lines of business that EIM might want to consider, 74% of respondents stated that EIM should not add any new lines of business. Eleven percent suggested expanded cyber coverage and 5% recommended expanded property coverage.

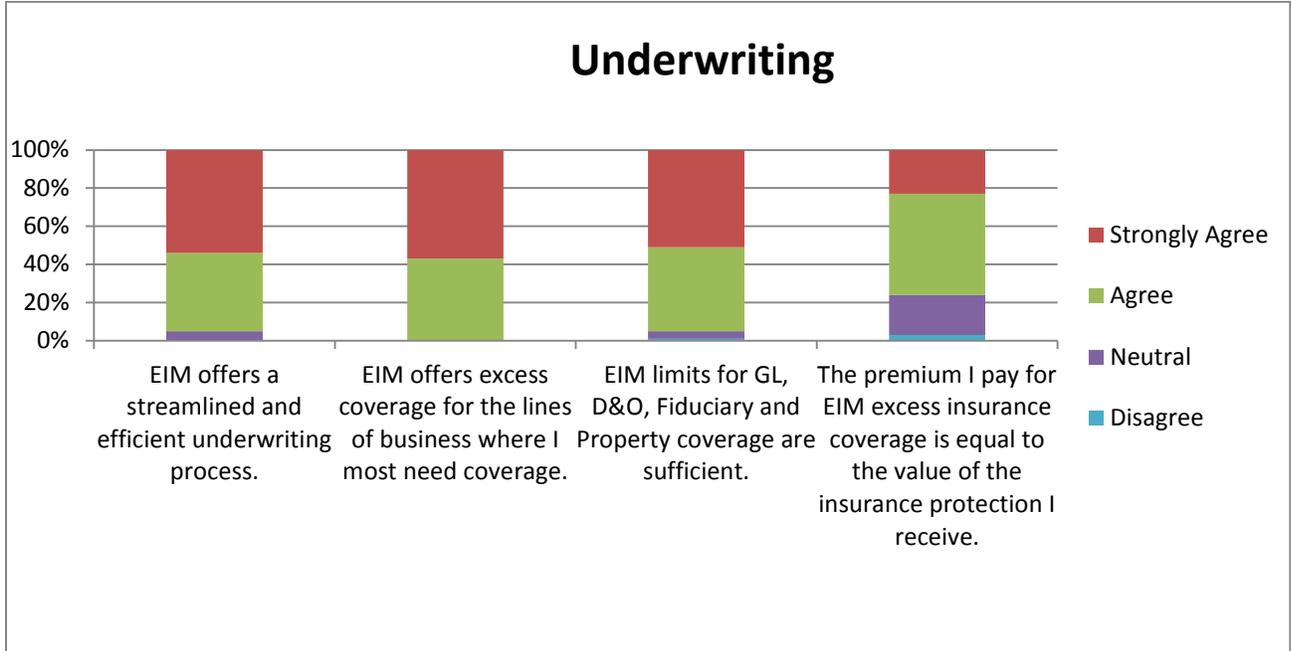


Other lines of business, each identified by a single respondent, included: uncapped wildfire; builders wrap; statutory workers compensation; forced outage; PJM capacity penalty and wind hedges.

The survey returns continue to support the notion that EIM should move cautiously, as it has historically done, before introducing new lines of business to its portfolio.

3. EIM - Underwriting

Respondents were asked to reply on a range from “Strongly Disagree” to “Strongly Agree” to the following statements:

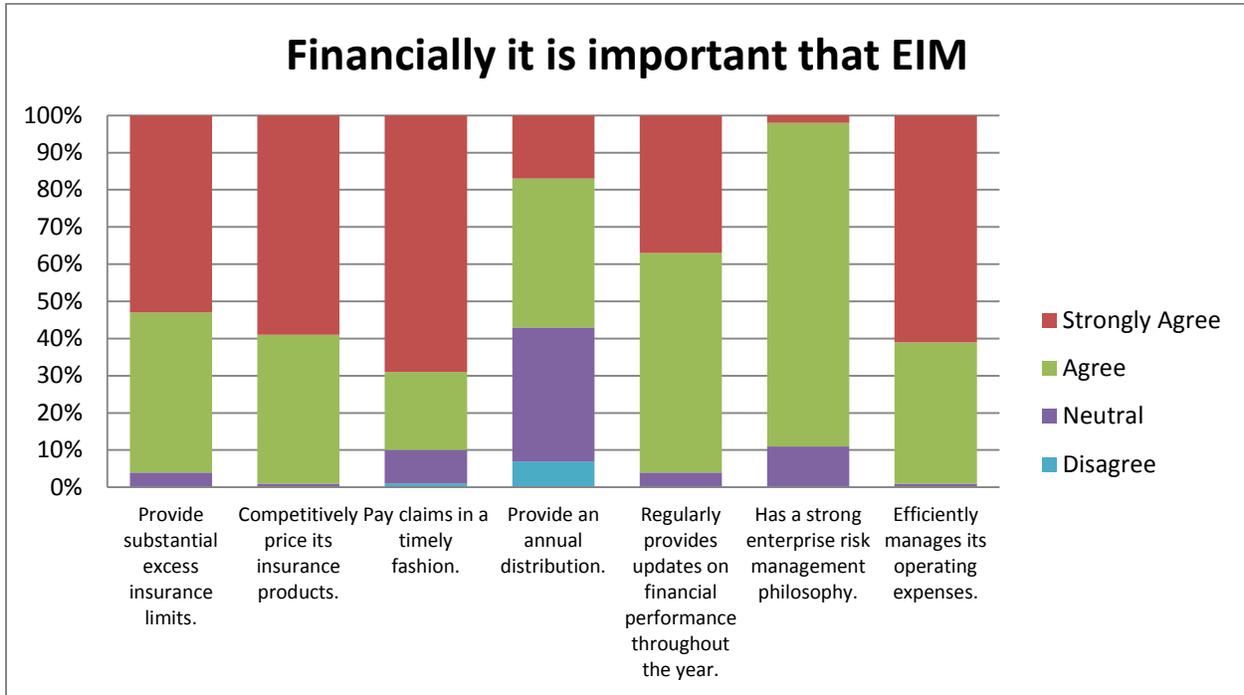


Overall, 96% of respondents agreed or strongly agreed that EIM offers a streamlined and efficient underwriting process, while 100% agreed or strongly agreed that EIM continues to deliver meaningful General Liability (GL), Directors and Officers (D&O) and Fiduciary excess of loss capacity. In addition, EIM’s limits were viewed as sufficient by 96% of survey participants. While a lower percentage of respondents agreed that premium paid equaled value received (76%), a strong majority subscribe to this statement.

Not only is EIM perceived as offering much needed coverages, but it also provides these coverages in a streamlined, efficient and cost-effective manner. While the cost of insurance will continue to be an issue, EIM routinely balances expected loss against pricing necessary to sustain both line of business and capacity offered.

4. EIM - Financial

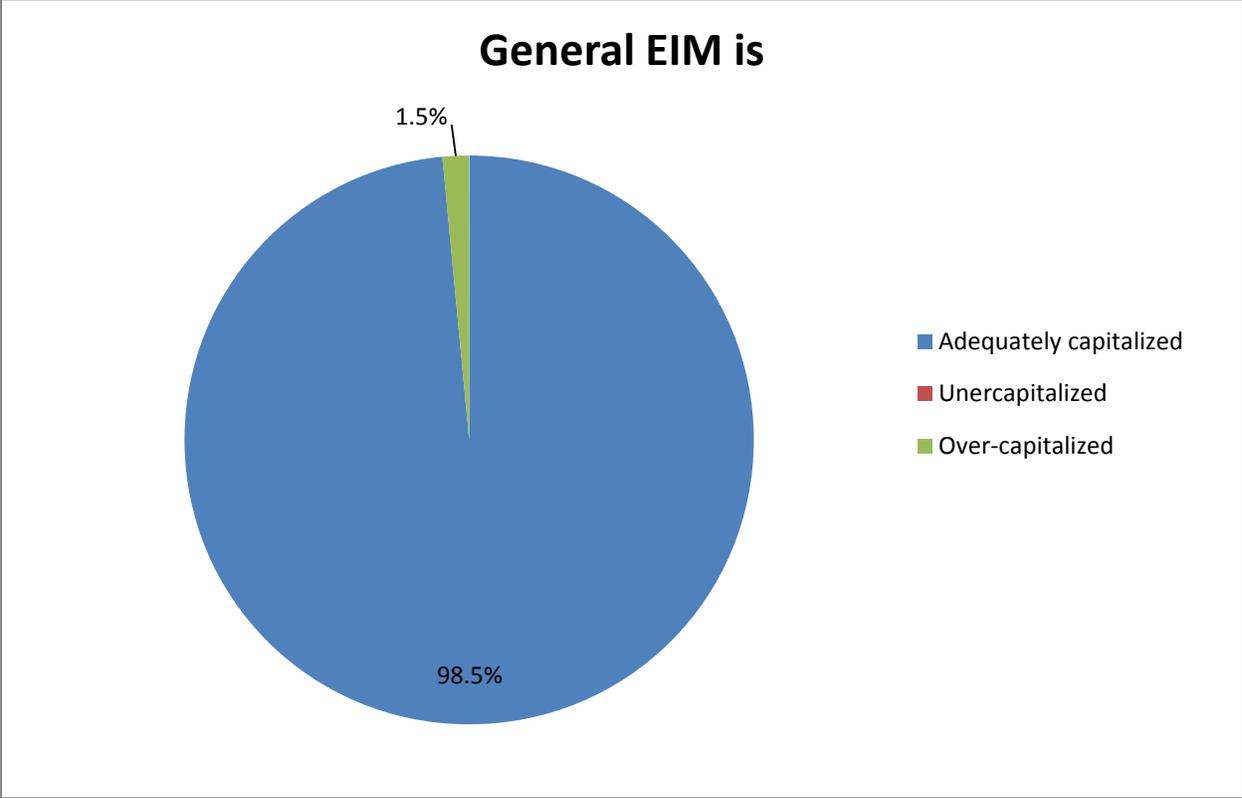
Respondents were asked to agree or disagree with the following seven statements designed to reflect how well EIM is meeting its financial commitment to member companies:



Survey respondents overwhelmingly agreed that EIM is a strongly capitalized company (96%), able to provide substantial excess of loss limits with competitively priced products (99%). Similarly, 90% of participants agreed or strongly agreed it is important that EIM pay claims in a timely fashion. In addition to the 89% of respondents agreeing that EIM must maintain a strong enterprise risk management philosophy, 74% agreed or strongly agreed that EIM must also provide regular updates on financial performance. Ninety-nine percent subscribed to the belief that EIM must efficiently manage operating expenses.

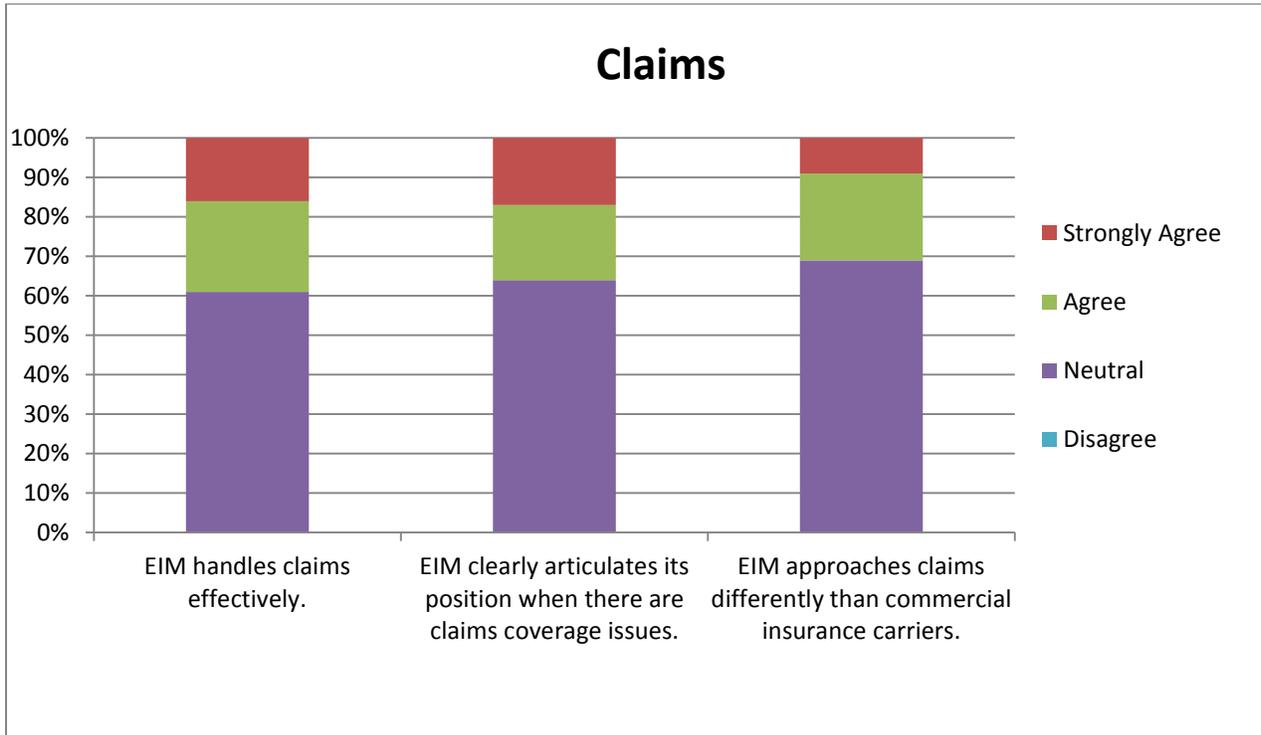
While a strong majority of respondents favored annual distributions, support was less pronounced (57% members; 39% brokers) than for other financial attributes, suggesting that while distributions are important they do not overshadow the need for financial stability.

In terms of financial stability, 99% of survey participants agreed or strongly agreed that EIM was adequately capitalized, with no respondent concluding that EIM was undercapitalized.



5. EIM - Claims

A significant portion of those participating in the survey (52%) have never reported a loss to EIM and therefore responded “I Don’t Know” to the EIM claims administration statements. However, a majority of survey respondents who have had claims experience agreed or strongly agreed that EIM effectively handles claims (82%) and clearly articulates its position when there are claims coverage issues (78%).

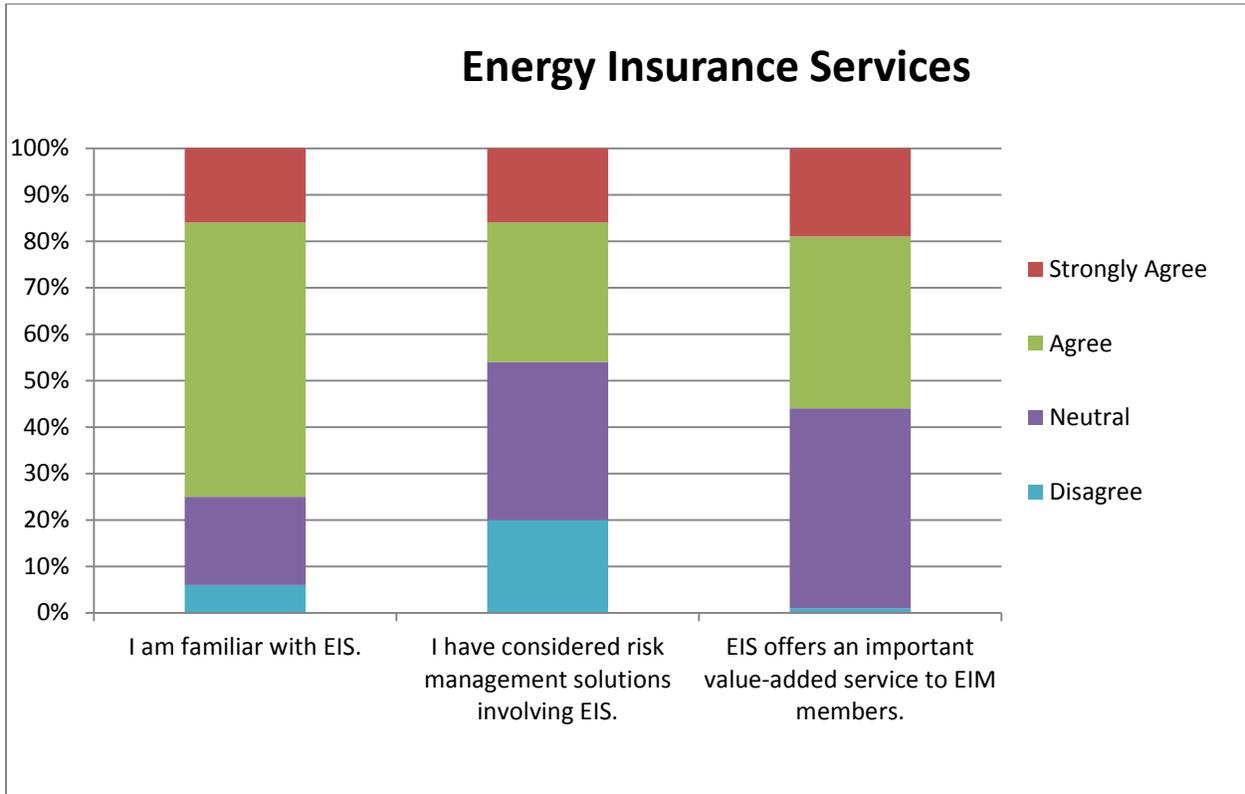


Most significantly, 69% of respondents with claims experience agreed or strongly agreed that EIM approaches claims handling differently from commercial carriers.

Survey responses suggest that where claims are incurred, EIM distinguishes itself in the administration and resolution of claims.

6. Energy Insurance Services

More than 75% of respondents agreed or strongly agreed that they were familiar with EIS, while 47% of respondents agreed or strongly agreed that they had considered risk management solutions involving EIS. More than half (56%) of respondents agreed or strongly agreed that EIS provided important value-added services to Member Companies.



Overall, EIS has achieved high name recognition with member companies, and a consensus that the organization adds value to EIM members. If there is any room for improvement at EIS, it would be to increase the percentage of members considering and actually using EIS as part of the risk management process.

7. Risk Management Considerations

While EIM and EIS continue to receive high marks for underwriting, financial, claims and risk management performance, there are challenges ahead. Respondents highlighted eight key areas where energy industry risk management will be impacted over the next five years, including: cyber risk, cost of insurance, loss of institutional knowledge, regulatory mandates, new technologies, enterprise risk management tools, distributed generation and industry consolidation.

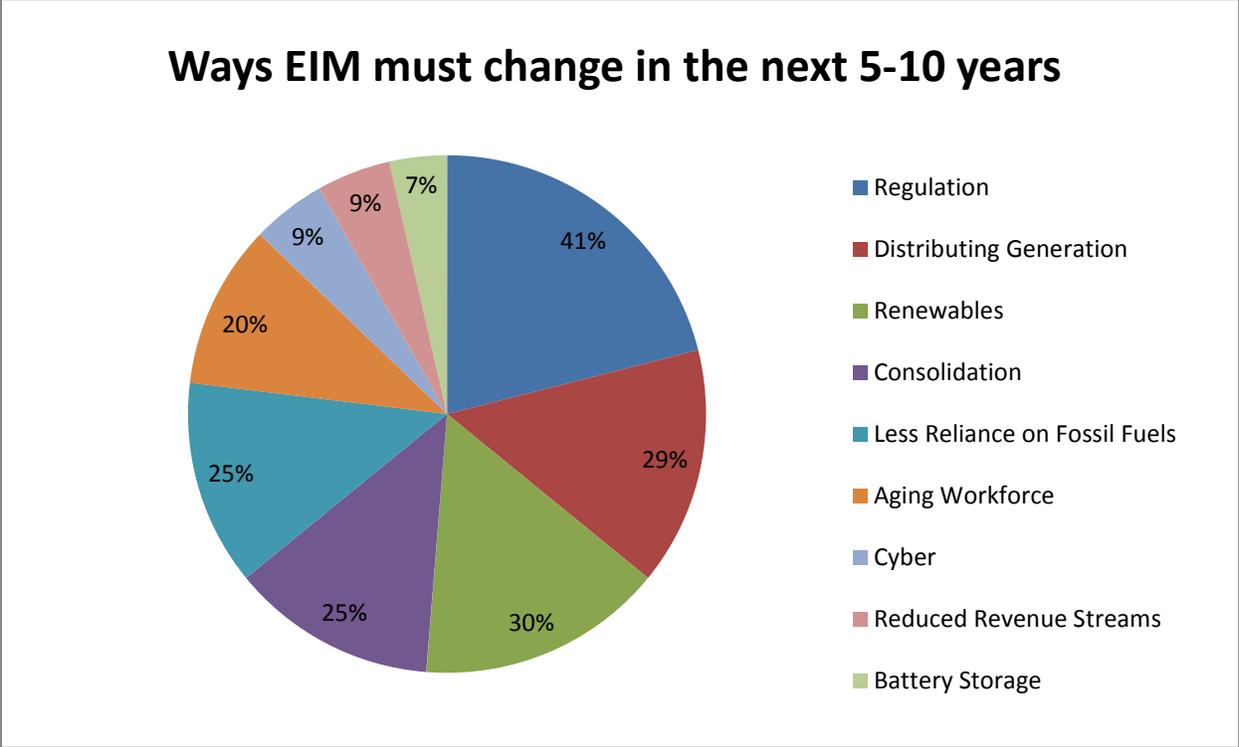
These areas of concern are summarized below:



Other considerations receiving mention included, aging infrastructure (7%), adequate insurance limits (4%), jury award increases (4%), alternative risk transfer options (4%), drones (4%), self-insured retentions (2%), declining demand (2%), supporting the mutuals (2%), public safety (2%), electromagnetic pulse (2%), and grid security (2%).

Based on these anticipated changes, it is clear that the IAC, EIM and EIS will need to work closely with Member Companies to ensure that emerging risks are effectively addressed. Equally important, longstanding considerations that include aging workforce and infrastructure, cost of insurance and enterprise risk must continue to be examined as risk management solutions are developed and/or refined.

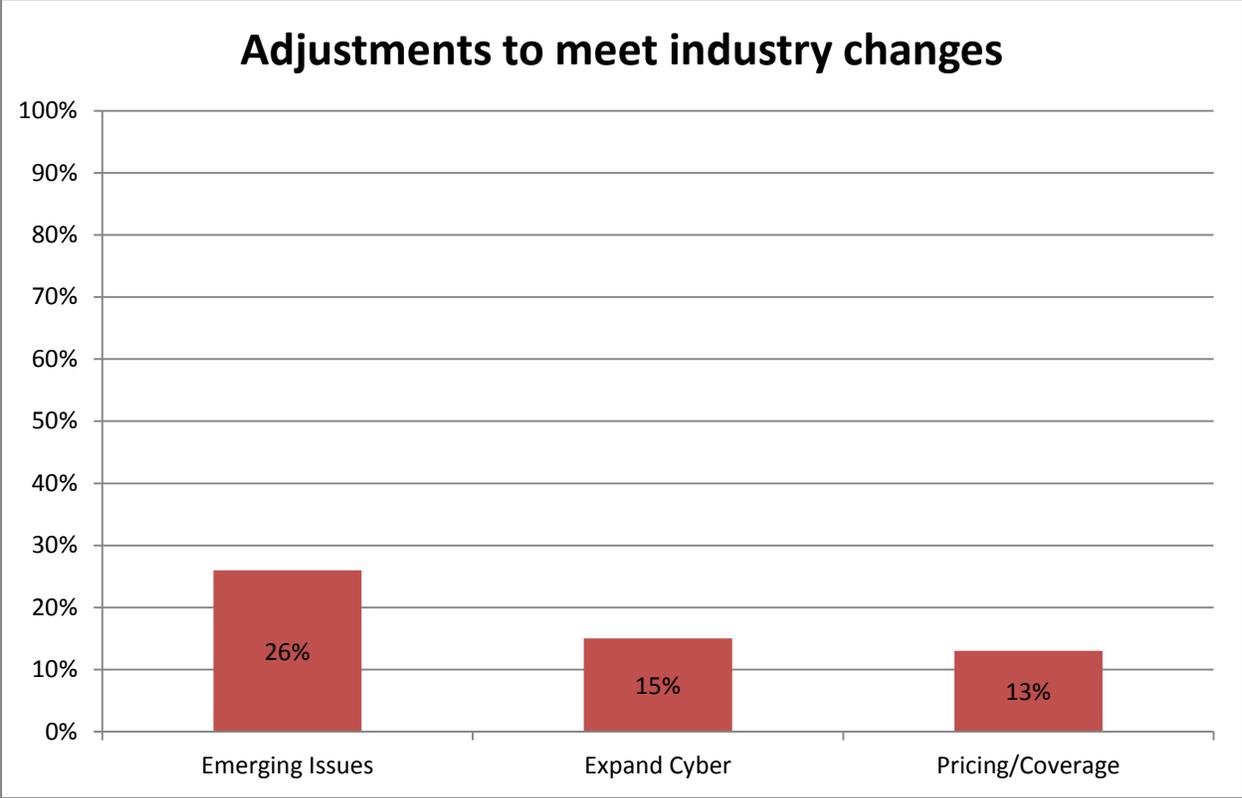
In addition to short-term risk management concerns, respondents also highlighted longer-term industry changes that will compel changes within EIM. While a number of the long-term considerations dovetailed with respondents' short-term concerns, areas such as distributed generation, renewable, less reliance on fossil fuels, and battery storage foretell significant industry evolutions expected within the next decade. The following chart outlines specific areas identified by respondents that will need attention by EIM within the next 5-10 years:



Other potential changes identified by respondents included new generation technologies (7%), aging infrastructure (5%), low oil prices (5%), less reliance on foreign imports (2%), increasing natural gas prices (2%), drones (2%) and autonomous cars (2%).

These long-term considerations suggest that the IAC and EIM need to begin laying the groundwork for an industry that will gradually embrace new technologies encompassing areas such as distributed generation, renewables, and energy storage to a much greater degree.

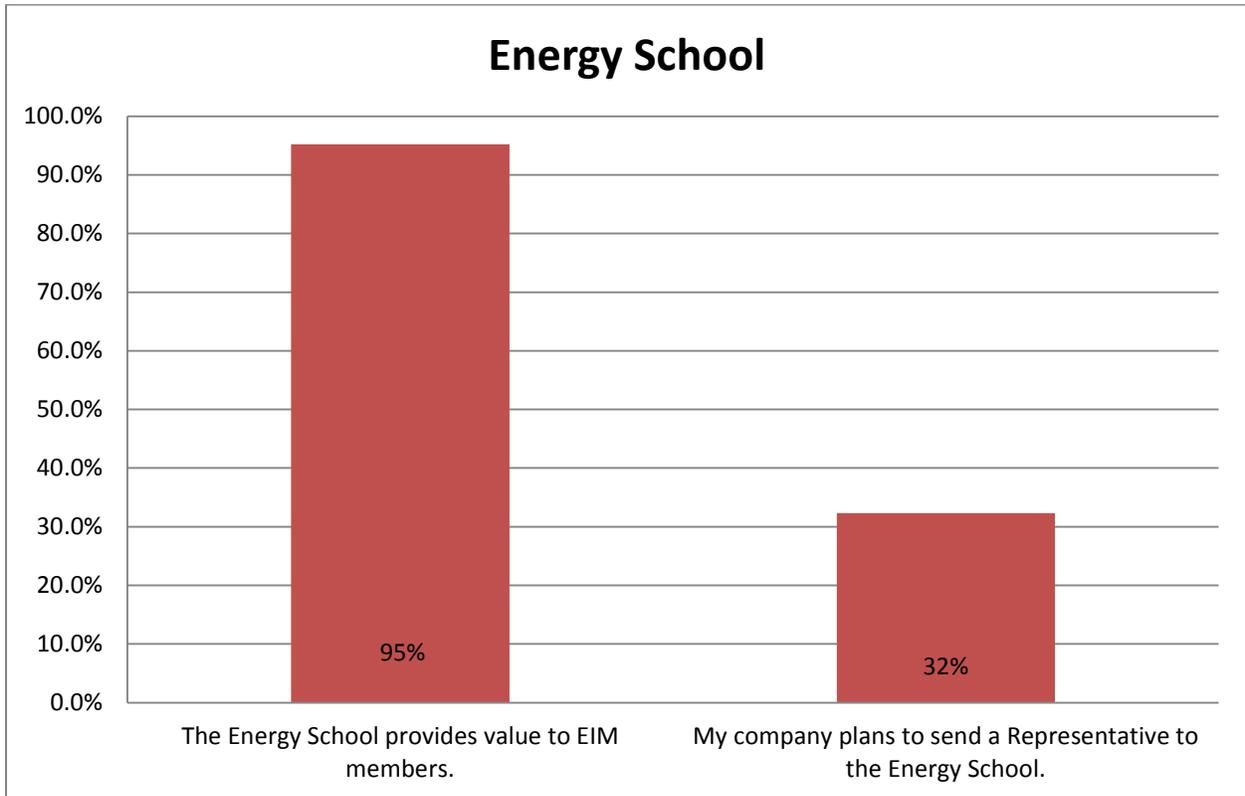
While identifying specific adjustments that EIM will have to make to meet these industry changes, 26% of respondents noted that EIM will have to stay ahead of emerging issues, 15% said that EIM will have to expand cyber coverage, and 13% responded that EIM must maintain competitive pricing and coverage terms.



Other potential adjustments, each suggested by a single respondent, included innovation, respond to distributed generation, considering non-energy business, examining alternative risk options, expanding property coverage and growing the member base. Clearly, EIM will need to adjust with the changing energy landscape.

8. Energy School

One area that EIM, together with other mutual insurers AEGIS, NEIL and OCIL, can review industry challenges is the Energy School where member company risk managers undertake in-depth analysis of emerging risks and potential risk management solutions. While over 95% of survey respondents stated the Energy School provides value to members, only 32% of respondents stated that they intended to send a representative to the Energy School



EIM and the co-sponsors of the Energy School should make a concerted effort to use the bi-annual educational conference as a forum to identify emerging industry issues, design responsive risk management solutions, and evaluate the effectiveness of these solutions.

Conclusion

The 2016 survey provides important feedback and assists in the development of EIM's updated three-year strategic plan. Survey input, together with the guidance and direction of the EIM Board, Insurance Advisory Committee and individual Member Company risk managers, will drive both the long and short-term objectives of the organization and help define the specific goals and objectives that will define EIM's success or failure over the next three to five years.