

ENERGY INSURANCE MUTUAL MEMBERS REPORT

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OCTOBER 2008

SCANA's Parametric Hurricane Cover, Using an EIS Cell, Moves Toward Group Policy

Through Energy Insurance Services, EIM Member SCANA has an insurance program that assures the South Carolina-based utility of faster, more complete, and far less costly recovery from catastrophic hurricane damage to its transmission and distribution system.

Using hurricane-loss-analysis parametric modeling devel-

oped and applied by ABS Consulting, SCANA's \$70-million overhead distribution policy would pay a claim within 30 days instead of going through a costly and prolonged settlement process that could take years.

"That saves money as well as time and untold work," said David Abstance, manager, corporate insurance, SCANA, Columbia, SC. "With the ABS model, we no longer have to prove the loss amount the old fashion way of accumulating invoices and waiting until the work is complete before meeting with an adjuster to review each and every invoice. Instead, we

Gaffney, Martin Move to Top IAC Posts; Mark Blair, Ameren, New IAC Member

Deborah S. Gaffney, Southern Company, and Randall L. Martin, American Electric Power, have been elected chairman and vice chairman, respectively, of Energy Insurance Mutual's Insurance Advisory Committee—and Mark E. Blair, Ameren Corporation, has been elected to IAC membership.

Debbie follows George Schuitema, who served as chairman for one year. She was vice chairman of the IAC during that year. George retired June 30 from Integrys Business Support, Chicago. Mark fills the IAC seat vacated by George. The three elections took place at the IAC meeting in June and were approved by the EIM Board at its August meeting.

Debbie Gaffney

Debbie Gaffney, CPCU, is risk and insurance manager, Southern Company Services, Atlanta. She was elected an IAC member in January 2005.

Debbie joined Southern Company in September 1998. She has been in her current position since 2001.

A native of Elberton, GA, Debbie graduated in 1989 summa cum laude from the University of Georgia, Athens. She then went to work for Willis Corroon in the firm's

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After Hurricane Katrina, approximately 10,000 contract crews, such as these, helped restore electricity to Mississippi Power's 168,000 customers in its 23-county territory in southeastern Mississippi. Dealing with the company's worst catastrophe in its history, Mississippi Power had all customers who could receive power back on line 12 days after the storm.

turn to the model which contains a precise detailed model of our system's property values by zip code or latitude/longitude coordinates."

The model also contains: the probability of hurricanes of different intensities and/or landfall points impacting T&D assets, the vulnerability of those assets to hurricane damage, and the costs to repair assets and restore electrical service.

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Gaffney, Martin Move to Top IAC Posts; Mark Blair, Ameren, New IAC Member

(Continued from page 1)



Debbie Gaffney

Chicago office. She also was an account executive in Corroon's Birmingham, AL, office for two years before moving to its Atlanta office in 1992.

Debbie and her husband Bill have twin daughters Lauren and Lyndsey, 16, who are heavily involved in soccer. The Gaffneys are active in their community and their daughters' school.

Randy Martin

Randy Martin, CPCU, is managing director, risk and insurance, AEP, Columbus, OH. He joined the utility in 2000 and EIM's IAC in early 2007.

A native of West Virginia, Randy earned his bachelor's degree in business administration from West Virginia University's College of Business and Economics in 1978. In 1997, he received his Chartered Property Casualty Underwriter designation.

Randy began his career in insurance with Aetna Life and Casualty in 1979 as a commercial property analyst. Between Aetna

and AEP, he worked for

AIG; Marsh; Borden, Inc.; and Willis in a variety of capacities.

Randy and his wife Tammy have three grown children and five grandchildren. The Martins live in Reynoldsburg, OH, where they are active in their church and community.

Mark Blair

Mark Blair, director, insurance operations, Ameren Services Company, St. Louis, MO, has worked for the utility since March 1979, when he joined Union Electric as a temporary employee.

A native of Louisville, IL, Mark and his family moved to Columbia, IL, a suburb of St. Louis, when he was nine. He is a graduate with a bachelor's degree in economics from Southern Illinois University, Edwardsville.

In 1987, Mark joined the company's corporate secretary's department, where corporate insurance was housed. He joined the department as office supervisor, a job he held until 2000. Prior to that, Mark worked in power plants for almost eight years—an experience he highly values in his risk management work.

In December 1996, Union Electric and Central Illinois Public Service came together to form

Ameren Corporation. The two operating companies continue as operating subsidiaries of Ameren.

In 2000, Mark moved to Ameren Services Company as insurance specialist. In 2003, he was promoted to his current position where he is responsible for developing and implementing Ameren's insurance strategy.

A member of RIMS, Mark is a member of the NEIL IAC executive committee where he currently chairs the Credit and Penalty Task Force. He also is a member of the EEI Risk Management Committee.

Mark and his wife Sharon have a son, Joshua, and a daughter, Stacey, both being chiropractors. In March, Joshua and his wife presented the Blairs with their first grandchild, a boy named Caleb. The Blairs are active members of Columbia's First Baptist Church where Mark is a deacon.

Mark also describes himself as a "huge" St. Louis Cardinals baseball fan.



Mark Blair

SCANA's Parametric Hurricane Cover, Using an EIS Cell, Moves Toward Group Policy

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“The reality of this state-of-the-art program clearly relies on ABS’ sophisticated modeling and the advanced technology that supports it. The program also requires reinsurance,” according to David. “In fact, the commercial insurance markets ready receptivity to our proposed program virtually proved the concept.”

While SCANA continues for a second hurricane season with a stand-alone policy, the company anticipates being part of a group policy by June 2009—the next company likely to join being Mississippi Power Company, an operating unit of Southern Company.

“Actually, I’d like to see three or four operating companies in the group by June of next year,” David said. (There is an estimated 10- to 15-percent savings to each of the companies participating in a joint program.) “Then, by 2010, we can again look at forming an industry mutual. We probably need 10 operating companies to achieve the formation of a mutual.”

“When that goal is achieved, we will applaud the formation of the new mutual,” said Robert Schmid, vice president and chief operating officer, EIS, the EIM subsidiary that operates from Greenville, SC. “In the meantime, we’re pleased that our Company could be helpful, and we look forward to doing whatever we can in building this important program into a group policy this coming year.”

After the 2004 and 2005 hurricane seasons, a working group that included SCANA and Southern came together to explore T&D risk financing options, including the possibility of insuring assets through a group captive. From the beginning, the group had to select and use the same model and consultants. The group chose ABS.

“ABS takes an engineering approach to its modeling methodology,” said Gary Meggs, director, risk management, Southern Company Services, Atlanta, who spearheaded the study-group effort. “Also, ABS has considerable utility experience.”

Global property insurance markets are very restrictive, especially for Gulf and Atlantic coast locations, as a result of the 2004 and 2005 hurricanes. The 2004 season was notable in that it had six hurricane landfalls, the largest number in the United States since the 1884 season when seven hurricanes made landfall. The 2005 season had 29 named storms, including Hurricane Katrina, the most costly hurricane in U.S. history—estimated losses ranging from \$50 billion to \$135 billion, all according to Steven Harris, ABS Consulting, Oakland, CA.

“The Florida electric utilities have had the most experience with hurricane damage. Prior to 1992, most electric utilities were able to obtain traditional indemnity insurance coverage for T&D assets for hurricane perils,” Steven continued. “Since Hurricane Andrew in 1992, Florida utilities have come to rely on storm reserves and post-event recovery as the primary means of addressing hurricane exposures to these assets.”

Gary also said risk managers who have potential hurricane risk have been looking at these issues for 20 years or more. Gary cites four reasons why solutions are available now:

(1) Advancements in scientific forecasting predictability; (2) emergence of acceptable catastrophic risk modeling; (3) development of capital markets, i.e., catastrophic bonds, which led to financial instruments that look like insurance; and (4) the political pressure on regulators who do not want to pass along these huge losses to consumers.

David Abstance also spoke of political realities in making all of this happen.

“In South Carolina, the public interest is protected by the South Carolina Office of Regulatory Staff which monitors the activities of public utilities. Their endorsement of the SCANA approach was appreciated and instrumental in obtaining the approval of the Public Service Commission of South Carolina which reflected the commitment of everyone involved in creating this successful program,” he said. “After Katrina, the federal government and others seemed to be saying that utilities must figure out better ways of recovering these huge losses in order to reduce the financial shock that would occur if a hurricane hit landfall in our service area.”

Interestingly, SCANA was not affected by Katrina. That company’s last major wind loss was Hurricane Hugo in 1989, which was a \$56-million loss, or over \$100 million in current dollars, according to David. “And that was not the worst scenario,” he continued. “If a category-four hurricane makes landfall in our service territory 30 miles south of Charleston instead of coming ashore where it did in 1989, today’s losses likely would reach \$240 million.”

Discussions about the new program are now underway with the new members of the Mississippi Public Service Commission, according to Gary Meggs. Mississippi Power’s management council has already approved the company’s joining the program. “We are focusing on helping the new commissioners understand and appreciate the effectiveness of this new catastrophic coverage. The policy clearly protects the interest of our customers, and we look forward to having the additional protection that the policy will provide,” Gary concluded.

As IAC chairman, Debbie, give us your thoughts on the following:



What would you like to accomplish on your watch?

First and foremost, the goal is to help and assist EIM in any way necessary so that the Company can continue to be successful. EIM is a financially strong company that offers broad coverage and quality service to its Members, and we want that to continue above all else.

The next priority is to make sure that we, the IAC, continue to represent the Members and that we are listening to what they are saying and working on the issues and coverages that they want us to explore. Currently, the IAC has task forces studying cyber liability and carbon sequestration.

Having now participated in your first EIM Board meeting, what are your impressions?

EIM has a very distinguished and experienced Board representing many facets of the energy industry. The directors are deeply committed, with an apparent keen interest in ensuring EIM's ongoing success.

What are the most critical issues facing our Members today?

We have increased emphasis on reducing emissions or other pollutants while also meeting the energy requirements of our population at an affordable price. An emphasis also is being placed on Members to look for alternative green sources of energy. Regardless of who is

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IAC Chairmen from 1986 to 2008

Leonard Zawodniak	December 1986 – April 1994
J. Gary Meggs	April 1994 – April 1998
Donald Fiorito	April 1998 – April 1999
Joseph Spencer	April 2001 – April 2004
William Powell	April 2005 – May 2007
George Schuitema	May 2007 – June 2008
Deborah Gaffney	June 2008 –

Three New Members Join EIM

As of September 10, three new Members—AES Corporation, Arlington, VA, EnergyCo, LLC, Irving, TX, and City Public Service of San Antonio, San Antonio, TX—had joined EIM, bringing total Membership to 175.

AES

AES Corporation is a global energy giant: its operations span five continents, with a presence in 29 countries; it employs 28,000 people; there are 124 power plants that encompass a broad range of technologies and fuel types, including coal, gas, and renewables.

Founded in 1981, AES built its first power plant in 1985 in Texas. In the early 1990s, as markets opened up globally, AES began generating electricity in the United Kingdom, Argentina, Pakistan, China, Hungary, Brazil, and other emerging markets worldwide. In 1998, AES acquired a minority stake in a power plant in the first and only generation privatization in India. In West Africa and Central America, AES has brought electricity to places that never knew reliable power.

AES has helped pioneer new pollution control technologies in the U.S. and biomass conversions in Hungary. Following the acquisition of significant wind generation assets in the U.S., the company finalized the construction of its first wind farm in Texas in 2006. Since then, AES has expanded its wind business into the UK, France, and Bulgaria.

In 2006, the company made a significant investment in a greenhouse gas emission offset project, AES AgriVerde. Through this subsidiary, AES expects to generate 34 million tons of greenhouse gas emission offsets annually by 2012 through the capture of methane and other gases from agricultural waste.

EnergyCo

EnergyCo is the parent company of Twin Oaks Power, an unregulated energy company focused on serving expanding markets throughout Texas and the West. The company is owned in a 50/50 partnership by EIM Member PNM Resources and a subsidiary of Cascade Investments.

■ PNM Resources is an energy holding company based in

Albuquerque, NM.

■ Cascade Investments is the private investment vehicle of Microsoft Founder Bill Gates.

Twin Oaks Power is a 305-megawatt power plant in Bremond, TX. Considered one of the state's cleanest coal-fired generating plants, the plant uses fluidized bed combustion technology, which:

- minimizes emissions of oxides of nitrogen through low-temperature combustion and ammonia injection and
- reduces sulfur dioxide emissions through limestone injection.

Twin Oaks employs about 60 people.

CPS

City Public Service of San Antonio, which does business as CPS Energy, is the largest municipally owned energy company in the United States that provides both natural gas and electric service.

Acquired by the City of San Antonio in 1942, CPS serves almost 680,000 electric customers and almost 319,000 natural gas customers in and around the seventh-largest city in the country. The 1,566-square-mile service territory includes Bexar County and portions of seven other counties.

Four Members Change Names

Alabama Electric Cooperative
is now PowerSouth Energy Cooperative

Citizens Gas & Coke Utility
is now Citizens Energy Group

FirstLight Power Resources, Inc.,
is now FirstLight Power Enterprises, Inc.

Semco Energy, Inc.,
is now Continental Energy Systems, LLC.

IN MEMORIAM

Michael C. Hulsey

November 25, 1943 – August 24, 2008

A long-time EIM Risk Manager Representative, Mike joined the Company's Insurance Advisory Committee in August 2000 and served faithfully until he resigned in September 2005 due to failing health.

Mike was risk manager, City of Richmond, Department of Public Utilities.

Joined the IAC in Late 2007

Julie Jackson, a City Worker who Lives



Julie Jackson and her husband Rick on a recent trip to Yosemite National Park.

Julie Jackson works in downtown Houston as head of risk management for Targa Resources—but lives almost 50 miles north, out in the country where husband Rick’s and her near-term goal is to have some horses on their six-acre property.

The Jacksons live in Montgomery, TX, north of the well-known master-planned community of The Woodlands. Julie commutes one and one-half hours each way (fortunately, the majority of it is on the bus) each work day, which explains why she loves stay-at-home weekends of boating on nearby

Lake Conroe or walking with Cayenne, Julie and Rick’s six-year-old Black Lab/Irish Setter mix.

Julie, who joined EIM’s Insurance Advisory Committee in November 2007, was working with Dynegy in 2005 when much smaller Targa was in the process that summer of purchasing Dynegy’s midstream NGL business. Targa had no risk manager at the time. There were only around 125 employees at Targa when they completed the Dynegy midstream acquisition, according to Julie.

“On Aug. 29 of that year, Hurricane Katrina hit several Dynegy gas plants; then, late in September, another hurricane, Rita, slammed into southwest Louisiana, severely damaging additional Dynegy facilities in that state,” Julie

in the Country

said. “The damage to all of the facilities as a result of these two storms definitely was a ‘material adverse change’ which led to those who were managing the acquisition to make sure that I came with the deal in order to manage all of the claims.”

Those two storms—Katrina and Rita—resulted in Targa claims that exceeded \$100 million, and she managed them all: onshore and offshore property damage, business interruption, and contingent business interruption claims.

Presently, Julie, whose title is director, risk management and insurance, manages overall insurance programs for Targa, with total annual premiums of more than \$18 million. The company now has over 800 employees, assets of \$3.8 billion, and \$7.3 billion in annual revenues. Most of the company’s core operations are located in Texas, New Mexico, and Louisiana.

Most importantly, Julie loves what she does. “There is never a dull moment,” she said. “Literally, I can be dealing with what feels like up to 50 different things in any given work day. What we do touches on all aspects of Targa’s business. On one side of our offices are the attorneys; on the other, internal audit where we have launched enterprise risk management.”

Before Targa and Dynegy, Julie worked as an analyst, risk management and insurance, for American General Corporation, also in Houston. She worked at American General from 1985 to 1996. She has lived in Houston since she was 15, having spent her childhood years in Pittsburgh.

American General’s culture valued and thereby encouraged continuing education—and it was during those years that Julie earned her bachelor’s degree in business management from LeTourneau University, attending night school while working full time. Along with her degree, Julie earned three of her four professional credentials that she uses after her name: ARM, CLU, and FLMI; obtaining the fourth

designation—CPCU—after joining Dynegy (then NGC Corporation) in 1996. She also encourages and strongly supports the two analysts who work for her at Targa in their continuing education efforts. Julie said, “I’ve been in the risk management and insurance field for over 20 years, and everyday I learn something new in this business.”

Julie came to EIM’s IAC with an up-close awareness of the committee’s importance to the development and growth of the Company. At Dynegy, she worked for nine years for Donna Pedersen McGinnis, who was an IAC member from November 1997 to December 2005. “Even after Donna left the IAC, with her departure from Dynegy, she played a key role in my joining the committee,” Julie said. “I like being part of a group that is focused totally on improvement.”

Julie has now participated in three IAC meetings and she says the committee is exceeding her expectations, which were pretty high. “It’s a great group of very smart people who are devoted to and love what they do,” Julie said. She also cites the new challenges the IAC is always addressing, her first examples being the cyber liability task force, which she is chairing, and the task force working on carbon sequestration, which AEP’s Randy Martin is chairing. Julie likes the fact that EIM (as a mutual) takes the initiative to focus on new areas and exposures to make sure they are meeting the needs of Members.

Julie closed this interview by saying that family is most important to her. Hers includes, in addition to Rick and Cayenne, a five-month-old grandson named Eric. He is the son of Julie’s son Ricky Russell. Julie loves the fact that she gets to see her grandson growing and developing and that she gets to enjoy her “Grammy” time with Eric.

Julie also values integrity, being passionate about what one does, being up front with people, and treating people fairly—all values transcending both her professional and personal life.

Most importantly, Julie loves what she does. “There is never a dull moment,” she said. “Literally, I can be dealing with what feels like up to 50 different things in any given work day. What we do touches on all aspects of Targa’s business.”

Five Member Companies Name New Reps

Five EIM Members—Idaho Power Company; Anadarko Petroleum Corporation; California Independent System Operator Corp.; Knight, Inc.; and Southwest Gas Corporation—have named new representatives, four being Member Reps and one being a Risk Manager Rep.

Lori Smith



Lori Smith

Lori Smith, vice president corporate planning and chief risk officer, Idaho Power, Boise, is this Member's new Member Representative.

A native of Albany, GA, Lori graduated in 1983 from Boise State University with a bachelor's in business administration and information sciences. In 1999, she received the CFA designation from the Association of Investment Management and Research.

Lori joined Idaho Power in 1983. She has held a number of finance-related positions since then, including team leader of strategic analysis support; also, positions in budgeting, forecasting, and accounting. In 2000, she was named director, strategic analysis and risk. In 2004, she was elected vice president of finance and CRO. She was named to her present position earlier this year.

Bruce W. Busmire

Bruce W. Busmire is vice president, chief accounting officer, and treasurer of Anadarko, The Woodlands, TX. He is the Member's new EIM Member Representative.

Bruce received his bachelor's in business administration in 1979 from Lamar University, Beaumont, TX. In 1991, he received his MBA from Northwestern University, Evanston, IL.

A native of Denver, Bruce joined Anadarko in May 2006. The majority of his early career was spent at Amoco Corporation. From there, he moved to Altura Energy as controller. In 2000, Bruce became vice president of investor relations at Ocean Energy. In 2004, he participated in the start-up of Pickering Energy Partners and in 2005 was named vice

president, chief financial officer, treasurer, and controller of Noble Corporation.

A CPA, Bruce has been active in a number of professional organizations, including Financial Executives International, AICPA, NIRI, and the Petroleum Investor Relations Association. He is a life member of the Texas Parent Teacher Association, a distinction he received for volunteer work in the Spring Branch Independent School District.

Philip Leiber

Philip Leiber, California ISO's chief financial officer and treasurer, is this Member's new Member Representative.

A native of Toledo, Philip received in 1992 both a bachelor's in business administration and a master's in accounting from the University of Michigan, Ann Arbor. In 2006, he earned a master's in science computer information systems from the University of Phoenix.

Philip began his career in 1992 at Coopers & Lybrand, now PriceWaterhouseCoopers, in San Francisco. He moved from the accounting firm in 1997 to California ISO where he was initially treasurer. He was elected to his current position earlier this year.

Philip has two professional designations: CPA and CTP.

Mark Winkler



Mark S. Winkler

Mark S. Winkler, claims manager, Knight, Houston, has been named as Knight's EIM Risk Manager

Representative.

A native of St. Louis, Mark received in 1979 a bachelor's degree from Southeast Missouri State University, Cape Girardeau, MO.

Mark joined Knight in 2007 in his current position. From 1993 to 2007, he was branch manager, Attenta (McGriff, Seibels & Williams) in Houston. From 1989 to 1993, he was assistant risk manager for May Department Stores in St. Louis. From 1985 to 1989, Mark was claims supervisor for Orion EBI, Houston.

Karen Haller



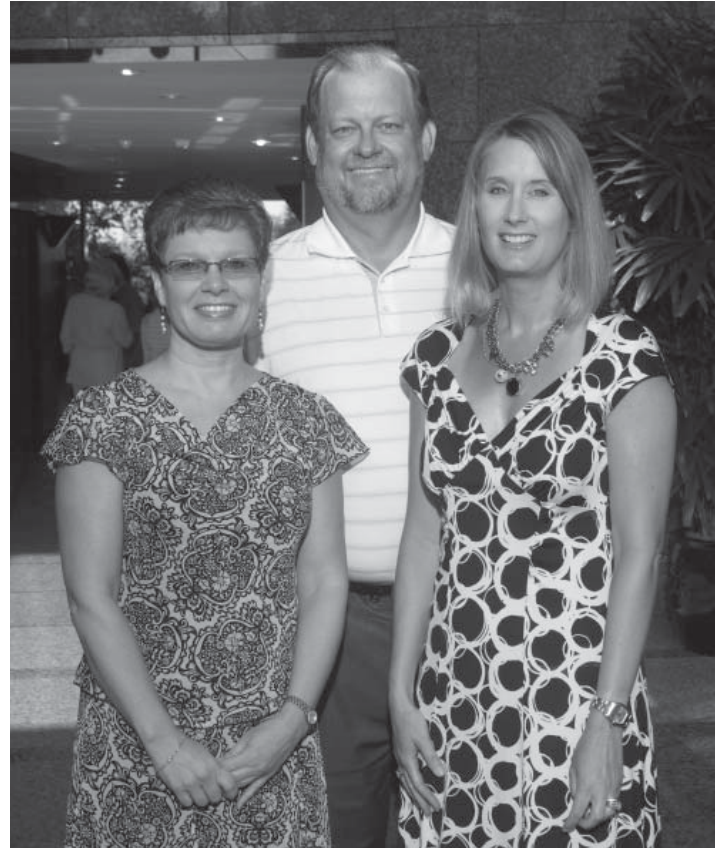
Karen Haller

Karen S. Haller, vice president/general counsel and compliance officer, Southwest Gas, is this Member's new EIM Member Representative.

A native of Gillette, WY, Karen received her bachelor's degree in finance in 1986 from the University of Wyoming, Laramie; her juris doctorate in 1989 from Cornell Law School, Ithaca, NY.

Karen joined Southwest Gas in November 2000 as assistant general counsel. In October 2006, she was promoted to assistant general counsel and director, legal affairs. In May of this year, she was elected vice president, deputy general counsel and compliance officer. She has been in her present position since September.

Karen is a board member of Southern Nevada YMCA and National Charity League, Las Vegas. She is a member of the state bars in Arizona, California, and Nevada.



Three Company employees have celebrated 10-, 20-, and 15-year anniversaries with EIM in 2008. They are, respectively, from left, Cindy Prosser, staff accountant; Sam Garvin, vice president and chief financial officer; and Jill Dominguez, vice president-underwriting.



Taniyka Ragland

Taniyka Ragland EIM Executive Assistant

Taniyka Ragland, who was born in New York City and grew up there and in Dallas, has been executive assistant at EIM since January 28 of this year.

Taniyka graduated high school in Dallas, where she lived from age 16. She then received an associate degree in business technology from the National Education Center, also in Dallas.

From Dallas, Taniyka moved to Virginia Beach, VA, where she was a contractor for the U.S. Navy. In 2001, she came to Tampa for a visit and decided this was where she wanted to live. Between then and EIM, Taniyka worked for two different homebuilders, initially Jim Walter Homes and then Meritage Homes.

Taniyka and her two sons, Royce, 15, and Alexander, 13, live in Riverview, just south of Tampa, FL.

EIM'S Balance Sheet at June 30, 2008

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

	6/30/08	6/30/07
ASSETS		
Investments	\$ 1,088,903	\$ 1,217,553
Cash and cash equivalents	43,537	15,037
Accrued interest	5,902	7,156
Deferred acquisition costs	1,326	1,355
Reinsurance paid in advance	40,225	56,720
Insurance balances receivable	2,919	4,410
Prepaid expenses	681	715
Reinsurance recoverable on unpaid losses	390,918	349,681
Investment in subsidiary	1,826	1,452
Property and equipment	604	885
Total Assets	<u>\$ 1,567,841</u>	<u>\$ 1,654,964</u>
LIABILITIES		
Reserve for losses and LAEs	\$ 807,468	\$ 762,055
Unearned premiums	83,820	92,776
Reinsurance balances payable	10,460	12,857
Deferred income tax	37,248	75,900
Accrued expenses	2,312	2,154
Income taxes payable	4,001	4,020
Total Liabilities	<u>\$ 945,309</u>	<u>\$ 949,762</u>
POLICYHOLDERS' SURPLUS		
Retained earnings	\$ 524,900	\$ 526,072
Accumulated other comprehensive income	106,632	179,130
Total Policyholders' Surplus	<u>631,532</u>	<u>705,202</u>
Total Liabilities and Policyholders' Surplus	<u>\$ 1,576,841</u>	<u>\$ 1,654,964</u>

Statement of Operations for the Period January 1, 2008 to June 30, 2008

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

	6/30/08	6/30/07
UNDERWRITING INCOME		
Gross premiums earned	\$ 91,641	\$ 102,052
Reinsurance premium assumed	1,646	3,002
Reinsurance premium ceded	(41,141)	(47,289)
Net Premiums Earned	<u>52,145</u>	<u>57,765</u>
UNDERWRITING EXPENSES		
Losses and LAE incurred - direct	42,525	78,752
Losses and LAE incurred - assumed	3,980	(6,056)
Reinsurance recoverable	(20,022)	(61,953)
Net losses and LAE	<u>26,483</u>	<u>10,744</u>
Administrative expenses	5,181	5,809
Total Benefits and Expenses	<u>\$ 31,664</u>	<u>\$ 16,553</u>
Income from underwriting	20,482	41,212
Net investment income	<u>22,981</u>	<u>24,447</u>
Income before Policyholders' Distribution	43,463	65,659
Less: Policyholders' Distribution	<u>0</u>	<u>0</u>
Income before income taxes	43,463	65,659
Less: Income taxes	<u>12,041</u>	<u>19,920</u>
Net Income	<u>\$ 31,422</u>	<u>\$ 45,739</u>

One EIM Director Changes Companies; Two Others Moving Toward Retirement



Jim Hatfield



Mark Dodson



Mike O'Donnell

One EIM Board member, James R. Hatfield, has changed companies, and two other directors, Mark S. Dodson and Michael W. O'Donnell, have lessened their corporate responsibilities as they look toward their respective retirements.

Jim Hatfield

In July, Jim Hatfield moved to Pinnacle West, Phoenix, where he is senior vice president and chief financial officer of the parent company and its operating utility, Arizona Public Service. With Pinnacle West being an EIM Member, Jim, who currently is EIM vice chairman, continues as vice chairman and remains a Board member.

With more than 28 years of electric and gas industry experience, Jim was most recently at OGE Energy Corp., Oklahoma City, where he also was senior vice president and CFO. He had been in that position since 1999. He had been with OGE since 1994, holding previous positions that included vice president and treasurer.

Pinnacle West has consolidated assets of about \$12 billion. Through its subsidiaries, the company generates, sells, and delivers electricity and sells energy-related products and services to retail and wholesale customers in the western United States. The company also develops residential, commercial, and industrial real estate projects.

Mark Dodson

In late May, Northwest Natural Gas Company announced that its CEO Mark Dodson, a past chairman of EIM, would be retiring from the Portland-based company at the end of 2008. He will continue to serve on the EIM Board as well as NW Natural's Board.

Mark became NW Natural's chief executive officer in

January 2003 after serving as president and chief operating officer. Previously, he had been the company's general counsel. Mark's successor is now president and COO.

NW Natural, with more than \$2 billion in total assets, serves about 655,000 residential and business customers in Oregon and southwest Washington. It is the largest independent natural gas utility in the Pacific Northwest and is one of the fastest-growing local distribution companies in the U.S.

Mike O'Donnell

Also in May, NiSource Inc. announced that Mike O'Donnell, the company's executive vice president and chief financial officer, was stepping down as CFO as he prepares to retire at the end of 2009. He remains an EVP until his retirement. He also continues as a director on the EIM Board.

Mike began his career with the Columbia Gas System in 1971 as a financial analyst. While with Columbia, he held positions of increasing responsibilities, including director of finance, vice president of finance, executive vice president and chief financial officer of the Columbia distribution companies, and chief financial officer of the Columbia Gas System. Mike was elected chief financial officer of Columbia Energy Group in 1993 and held that position until NiSource acquired Columbia in November 2000. Concurrent with the acquisition, Mike was named executive vice president and chief financial officer of NiSource.

NiSource, based in Merrillville, IN, is a Fortune 500 company with over \$18 billion in total assets and is engaged in natural gas transmission, storage, and distribution as well as electric generation, transmission, and distribution. NiSource operating companies deliver energy to 3.8 million customers located within the high-demand energy corridor stretching from the Gulf Coast through the Midwest to New England.

As IAC chairman, Debbie, give us your thoughts on the following:

(Continued from page 4)

elected as our next President, there will be new legislation that will emphasize these areas. The challenge will be on how we as energy companies respond—while we, the industry, deal with increases in cost of fuel, construction labor, materials, and other services.

What distinguishes the current EIM IAC?

One of the interesting things is that we are a fairly new committee. Eight of the 10 have been named to the IAC within the past four years. Yet, the IAC has seasoned and experienced members representing various sectors of the business, and I think that is our primary strength. Also, we are fortunate to have two members who have served a number of years—John Luley and Bob Semet. We look to them often for wisdom and advice.

With several former IAC members having retired, it highlights what is going on in our industry. The average age is getting older, and more and more folks are nearing retirement age. We are about to lose a tremendous amount of knowledge and experience. So, we are challenged to have succession plans, to have the resources in place to fill the gaps.

This next generation of risk managers may have never experienced a truly hard market where coverage is simply not available. Do they know the history of EIM and how it came in to being? Are they aware of all the benefits the mutuals have to offer? Do they have the same commitment and loyalty to the mutuals?

EIM has a great staff that does an excellent job getting to know its Members and talking to them about their business and their concerns. The emphasis and importance in this area will continue. Going forward, our role within the IAC also will be to strengthen and help grow these new relationships; to act more and more as good ambassadors for EIM.

Any wrap-up thoughts?

I am excited about the opportunity to work in this capacity with EIM. We have a great group of people serving on the IAC. There are many fun and challenging times ahead of us. We are very interested in meeting the needs of our Members and encourage their representatives to contact any one of us if they have any questions or ideas.



IAC Task Forces

The Insurance Advisory Committee’s new task force is the Cyber Security Task Force, which is being chaired by Julie Jackson. Its members are Bob Dillard, Gary Little, Randy Martin, and John Luley. The task force will report on what is being done in the market for hacking into and disrupting computer systems, what is available coverage wise, and how EIM should respond, if at all.



The work of the Carbon Sequestration Task Force continues. Chairman Randy Martin has reported that AIG and Zurich have products and that AEGIS is developing one. Working with Randy are Jack Hadsall and John Luley.

M ENERGY INSURANCE MUTUAL **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.

**Energy Insurance Mutual, Bayport Plaza, Suite 550
3000 Bayport Drive, Tampa, FL 33607-8418
1-800-446-2270 ■ Telephone: (813) 287-2117 ■ Telefax: (813) 874-2523
www.eimltd.com**