



BUILDING A STRONGER
BRIDGE TOGETHER



2010 RISK MANAGERS
INFORMATION MEETING

EIM – General Underwriting Information

2010 RISK MANAGERS
INFORMATION MEETING



UNDERWRITING STANDARDS

Anyone desiring to be a Member of Energy Insurance Mutual Limited (EIM) and to be insured by EIM must be a Utility or Member of the Energy Services Industry as herein defined, or be specifically exempted of this requirement by the Board of Directors.

UTILITY

An entity which is in whole or in part a rate or service regulated organization which generates, transmits, or distributes electricity; or produces, transmits, or distributes natural gas; or provides cable, common carrier pipeline, telecommunications, or water and sewer services.

THE ENERGY SERVICES INDUSTRY

Shall include, but not be limited to, entities involved in co-generation, independent power production, propane distributors, power and gas marketing and trading, oil and gas processors, exploration and storage companies, ISOs/RTOs, and other activities which complement or are natural extensions of the core utility's function.

MEMBERSHIP REQUIREMENTS

- ◆ In order to qualify for membership in EIM, the applicant must be a Utility or member of the Energy Services Industry, and
- ◆ Have gross assets in excess of \$10 million
- ◆ Procure insurance through the use of a full-time employee of the Insured who acts as an insurance manager or buyer, or through the services of a person licensed as a Property and Casualty insurance agent, broker, or consultant in such person's state of domicile
- ◆ Have at least 25 full time employees
- ◆ Pay annual aggregate premiums for all insurance risks that total at least \$100,000

EIM POLICIES

- EIM offers four insurance products: Excess General Liability (EGL), Excess Directors and Officers Liability (EDO), Excess General Partner Liability (EGP), and Excess Fiduciary Liability (EFL). The policies cover losses excess of at least \$35 million. EIM also offers Property coverage that can be written either on A Primary or Excess basis.
- Each of the policies is a claims-first-made policy and is available on a following form basis.
- In order to buy a Property Policy, A Member must purchase either Excess General Liability and/or Excess Directors and Officers Liability from EIM.

CASUALTY LIMITS AVAILABLE

- ◆ **EGL:** Minimum limits \$10 million per occurrence and in the annual aggregate up to \$100 million in \$5 million increments.
- ◆ **EDO and EGP:** Minimum limits \$10 million per wrongful act and in the annual aggregate with limits up to \$50 million in \$5 million increments.
- ◆ **EFL:** Minimum limits \$10 million per wrongful act and in the annual aggregate with limits up to \$25 million in \$5 million increments.

PROPERTY LIMITS AVAILABLE

- EIM capacity is \$35 million.
- Capacity provided on a quota share basis

POLICY FEATURES

EGL Features

- ◆ Drop Down Over Specified Underlying Aggregates including Products/Completed Operations, Standards Board, Employment Practices Liability, Failure to Supply, Pollution Liability
- ◆ Joint Venture Drop Down
- ◆ Excess Worker's Compensation and Employer's Liability Coverage
- ◆ Excess Employment Practices Liability
- ◆ Excess Professional Liability (minimum attachment point \$ 35 million, maximum limit of \$65 million which is a sublimit of the overall GL limit)

POLICY FEATURES (continued)

EDO Features

- ◆ Entity coverage options including Corporate Entity and Securities Claims coverages available

EFL Features

- ◆ Excess Fiduciary and Employee Benefit Liability available only on a following form basis

PROPERTY FEATURES

Our participation will not exceed the following and are per risk:

- ◆ EIM capacity is \$35 million.
- ◆ Capacity provided on a quota share basis
- ◆ Business Interruption coverage only for IPP is subject to a sublimit of liability
- ◆ Mixed portfolio of primary and excess coverage

EARTHQUAKE AND WIND EXPOSURES

Earthquake and Wind Exposures are strictly monitored and adherence to underwriting guidelines as follows:

- ✦ All Earthquake coverage is sublimited and subject to an annual aggregate
- ✦ A minimum deductible of 2% of the Total Insurable Value applies
- ✦ A maximum sublimit of \$5,000,000 annual aggregate applies to all locations situated in California.

EARTHQUAKE AND WIND EXPOSURES (continued)

Wind

- All Tier 1 Wind Coverage is sublimited and subject to an annual aggregate.
- Wind coverage in primary layers should be considered only for placements that are not catastrophically exposed to Named Windstorm with locations/values situate out of Tier 1 and that are North of Virginia.
- Any Tier 1 locations covered in a primary layer must be incidental to the overall placement and appropriately underwritten.
- Business which is predominantly located South of Virginia and in Tier 1 Wind counties, based on either number of locations or values, should only be considered for excess layers.

EARTHQUAKE AND WIND EXPOSURES (continued)

- ◆ Capacity for windstorm is subject to:
 - ◆ Maximum \$5 million per occurrence limit in a primary layer and a minimum deductible of 2% of Total Insurable Values
 - ◆ Maximum \$10 million per occurrence limit in any combination of excess layers
- ◆ The capacity restriction applies to the following areas:
 - ◆ United States of America to include Tier 1 counties in the states of Texas, Louisiana, Mississippi, Alabama, Georgia, South Carolina, North Carolina; the whole states of Florida, the whole island of Puerto Rico, and Hawaii.

FLOOD CAPACITY

Flood Capacity is also subject to an annual aggregate and a minimum deductible of 1% of TIV deductible. Capacity for this peril is as follows:

- ◆ **In the US: Zone A/100 Year Flood Zone \$5,000,000 per occurrence and in the annual aggregate**

OTHER SUBLIMITS

- ✦ Contingent BI-\$10,000,000 for unscheduled suppliers/receivers
- ✦ Service Interruption-\$10,000,000 or 30 days
- ✦ DICC-\$10,000,000(Demolition and increased cost of construction)

Excess General Liability Submission Requirements

- Submission Requirements for Excess General Liability New and Renewal Business
- Original completed and signed EIM EGL Application (new business) or original completed and signed EIM EGL Renewal Application (renewal business).
- Note: All Applications can be found on the EIM Website www.eimltd.com.
- Copy of underlying application (s) to include all applicable attachments - (GL, WC, CCC, Professional Liability and EPLI)
- Copy of Loss Runs to include any reserves. (minimum of 5 years)
- Current Financials to include the most current Annual Report, 10-K, latest 10-Q and latest 8-k's.
- Copies of Dam Report (if applicable) – EIM will accept Summary of conclusions and if need be sign a confidentiality agreement for access.

- For the following operations EIM also requires:
 - Electric Transmission –
 - Confirmation that the Utility is in compliance with the FERC/NERC Critical Infrastructure Protection (CIP Standards).
 - Copy of Tree Trimming or Vegetation Management Policies.
 - Electric Generation –
 - Copies of tariffs for each state they operate in.

GL Submission Requirements, cont.

- Exploration & Production –
- Projected new drilling
- Copies of Drilling Contract(s)
- Information on Control of Well Insurance to include carrier, limits purchased and loss information.
- Gas Transmission –
- Current DOT 7100 Reports
- Copies or details of company's pipeline safety & maintenance programs to include inspections.
- Gas Distribution –
- Current DOT 7100 Reports
- Copies or details of company's pipeline safety & maintenance programs to include inspections.
- Copies of any Gas tariffs and any information with respect to Gas Storage Operations.
- Cooperatives/Municipalities –
- Sovereign immunity or responsibilities with respect to their failure to supply.

Property Insurance Requirements

- **PROPERTY GUIDELINES**
- **Risks are underwritten only if sufficient and adequate underwriting information is provided such as:**
- **Detailed Loss Prevention/Inspection Reports for Property as well as EQ, Wind, and Boiler and Machinery. Reports should include details on sprinkler protection, maintenance procedures, water supply/adequacy, flood information, loss prevention programs, listing of major equipment, overhaul schedules, testing frequency. Outstanding recommendations and loss event information (NLE, PML, and MFL scenarios and amounts) are to be included as well.**
- **A minimum of five years loss experience**
- **A listing of electronic locations including address information**
- **If coverage is offered, Business Interruption worksheets providing the breakdown of electric and/or steam sales, bonus and/or capacity payments on a monthly basis**
- **Acceptable policy form**
- **Coverage may be provided on a primary basis if:**
- **The account is a quality engineered risk**

Property Insurance Requirements (cont.)

- PD deductibles meet the minimum guideline of \$250,000^[1]
- BI deductibles meet the minimum of 45–60 days excluding prototypical units^[2]
- Rate and Premium are sufficient for the exposures presented by the assets at risk
- No working layer “primary only” business (\$10-\$25 million primary layers) is written unless in conjunction with proportional or multilayered business. Coverage will always be written on a quota share basis and can be provided on a primary and/or excess basis.
- Terrorism coverage can be provided in accordance with TRIA/TRIEA/TRIPRA of 2007.
-

^[1] Deductibles for Steam and Gas Turbine/Generators may be higher based on the size and model of the unit.

- ^[2] A prototypical unit is defined as any turbine/generator that is a new model (may include an improved or changed design) and (a) has fewer than three operating models, and (b) has run for less than three operating years or 8,000 equivalent operating hours. The deductible applicable to prototypical units is subject to a minimum of no less than 90 days.

EIM HAS:

- ✦ No reserve premium
- ✦ No retrospective premium
- ✦ No assessment rights