Ready and able

AEGIS

2016 Annual Review

Together with our members, we're ready to explore ways we can build on our success and thrive in tomorrow's business environment.

Wesley W. von Schack
Chairman of the Board

2016 was an eventful year for your mutual. Policyholder surplus reached an all-time high of $1.4 billion and, most importantly, surveys and member feedback continue to tell us that our members are very satisfied with the products we offer and the uniqueness and professionalism of our services.

For AEGIS to get to this high level of performance, it takes vision and leadership. To this end, we owe our heartfelt thanks and appreciation to Alan Maguire, who elected to retire in 2016. For the past 20 years, as President and CEO, Alan transformed AEGIS into a full-service, multi-line insurer to serve the evolving needs of an ever-changing and challenging energy industry. On a personal note, it was a privilege for me to work with Alan and see his executive talents up close. Not to mention the great fun and friendship we enjoyed along the way.

Successful CEOs like Alan are typically supported by a committed and talented Board of Directors. One of AEGIS' hallmarks over the years is that our Board has been blessed with exceptional industry leaders and visionaries. A number of Directors who served with Alan during this time of remarkable growth retired in 2016 as well. Phil Ackerman, Keith Bailey, Don Cash, Bill Dalton, Steve Frank, George Mazanec, Gene McGrath and Dick Reiten were all elected Emeritus Directors at the October General Meeting. My fellow Directors and I are extremely grateful for their wise counsel and for their contributions in preparing AEGIS for its next chapter.

We are very pleased to welcome Owen Ryan as our new President and CEO. For the past five years, Owen has served as an advisor to both the management team and the Board. Owen enjoyed an impressive 30-year career at Deloitte, where he was most recently CEO of Deloitte Advisory. With his extensive experience serving both the energy and insurance industries, the Board believes Owen is uniquely qualified to build on AEGIS' strong foundation and to help members meet the challenges of the future.

On behalf of your Board of Directors, we value and thank you for your continued support and confidence.

Wesley W. von Schack
Chairman of the Board

Owen M. Ryan
President and CEO

It is a great honor and privilege to lead AEGIS at this exciting time of change and renewal. As an advisor to AEGIS management and the Board of Directors in my former role as CEO of Deloitte Advisory, I developed a true admiration for the company's leadership, its talented and dedicated professionals and its unwavering commitment to member service. The depth and quality of the relationships AEGIS has forged over time with both members and brokers speak to its deep commitment to the core mission of the mutual. This commitment, combined with our very solid financial foundation, will enable us to embrace with confidence the transformative change that surrounds us.

I would like to thank the Board of Directors, Alan Maguire, the Risk Management Advisory Committee (RMAC), our members, our brokers and our AEGIS professionals for the warm welcome they've extended to me since taking the reins in October. I look forward to working with all of you in the months and years ahead. In the meantime, I'm pleased to share our excellent financial results as well as some thoughts on where we're heading.

Delivering strong financial results

Our policyholder surplus grew by $139 million in 2016, to $1.429 billion, the highest level in the history of the mutual and the fifth consecutive year that it has reached new heights. This growth was possible thanks to a moderate level of member losses, as well as strong returns on our investment portfolio. Claims paid by our North American operations totaled $442 million, down from $702 million the prior year.

Our North American and London underwriting operations performed very well in 2016, despite increased competition in the D&O, property, cyber and London marketplace, which put downward pressure on our rates. Gross premiums written totaled $1.236 billion. As always, we strive to price coverage at a level that's fair to each member as well as the membership as a whole, which helps preserve the financial strength of the mutual.

The combined ratio for our North American operations was a very favorable 89% due in large part to the ongoing support of members and brokers for our excess liability business and the need to carefully match price with risk. You may recall that the excess liability business ran "hot" for many years, but our efforts to price the coverage at more sustainable levels, combined with more moderate claims activity, have brought this flagship business into line. The combined ratio for London was 87%, up slightly from a year ago but still a very favorable result given softening rates in some classes of business and a modest increase in claims activity.

Our investment portfolio returned more than $158 million in 2016, which was a very significant improvement over 2015, when negative returns on equities and the effect of the strong U.S. dollar on our regulatory-required non-dollar investments resulted in a net loss of $45 million. By contrast, the global investment markets were generally positive in 2016, and the combined effects of stabilizing oil prices and investor optimism following the U.S. presidential election lifted assets such as equities and high-yield credit. Our investment philosophy is relatively conservative, with a modest equity component. This is in keeping with our enterprise risk management strategy, which seeks to protect policyholder surplus and generate measured surplus growth so that we remain well prepared to manage the membership's sometimes volatile underwriting losses.

We are also pleased to report that the financial strength of the company has been recognized by A.M. Best, Fitch Ratings and Standard & Poor's, which have assigned ratings of A (Excellent), A and A-, respectively. Each rating agency noted our long-term relationships with members, energy industry expertise, operating performance and material growth in policyholder surplus as reasons for the strong financial ratings and favorable outlooks.

Leveraging change to our mutual advantage

It's no secret that change and disruption are accelerating in the energy and insurance industries – and throughout the business world. And they're affecting the way every industry looks at products, services, relationships and the way it does business.

In meetings with our Board of Directors, the RMAC, risk managers and brokers over the past few months, they've told us that it's no longer business as usual for them. The energy business was once stable, its risks were finite, and they were managed with traditional insurance products. Now, however, traditional risks are evolving, and new risks are quickly emerging. Cyber risk, regulatory issues, new technology, the Smart Grid, the Internet of Things (IoT), plant retirements, renewables and consolidation have contributed to the consensus that change and disruption are "the new normal." As a result, many risk managers are searching for new solutions to manage risk and the expertise to help implement them.

We are grateful that our risk managers already look to AEGIS as a key source of insurance solutions and a fount of deep energy industry expertise. In this rapidly evolving business environment, however, we see our role evolving as well, from that of an insurance provider to a trusted risk management advisor. Our goal will be to help members ask the right questions, identify and understand new risks, adapt our existing products and services, and look beyond our core products for new solutions where none yet exist. We will help members leverage change to their advantage and, in doing so, help them thrive by protecting and creating value.

Asking the right questions to help everyone thrive

Many of the same forces that are disrupting the energy industry are having a similar effect on the insurance industry. Consolidation, digital intermediaries, episodic insurance, loss prevention, unbundling of risks and changing regulations have captured the attention of property & casualty insurers. The insurance industry overall had been historically slow to make investments in technology, artificial intelligence and data analytics, but there has been a seismic shift, and new ways of approaching business are taking root.

As an insurer and risk advisor, we will also ask the big-picture questions of ourselves, with the goal of becoming better, faster, more efficient and more effective, so we can be a relevant risk management partner for our members. And while today's disruptive forces may be new, our ability to change and innovate is not. AEGIS has changed to serve members since the beginning, as you will see on the "History of Innovation" timeline on page 10.

As we work with members to navigate change and disruption together, we're fortunate to have the exceptional guidance of our Board of Directors, who represent many of the leading energy companies in the world. They are deeply committed to our mission, and to helping in whatever ways they can. Together with our members, the RMAC, member task forces, brokers and AEGIS professionals, we're confident we can ask and answer the right questions, leverage change to our mutual advantage and thrive in this exciting new environment.

Owen M. Ryan
President and CEO

Alibaba has no inventory, Uber no cabs and Airbnb no real estate. Could it be that someday new utilities have no assets?

Eventually, instead of nuts-and-bolts infrastructure, big data could become one of a utility's greatest assets, driving customer service and stream-lining operations in real time.

Change in the Energy Industry

Power generation and distribution is no longer a straightforward, predictable business. About 85% of America's energy supply still comes from coal, natural gas and nuclear power plants – and is still delivered via existing infrastructure – which makes the energy industry ripe for disruption and transformation. The Smart Grid wave is swelling. The Internet of Things (IoT) is developing rapidly. Sophisticated demand response software is coming. And those customers with the ability to generate their own power from renewable sources are morphing into quasi-competitors, making the electric grid bidirectional, like a social media network. Eventually, instead of nuts-and-bolts infrastructure, big data and information about customer behavior and the operations of critical systems could become some of a utility's greatest assets, driving customer service and streamlining operations in real time. Many energy companies are already busy rethinking their business models, figuring out how to succeed in an interconnected, internet-based world, and attracting talented executives and workers with the insight to make it all happen.

Here are six *drivers of change* to watch:

Renewables

Solar and wind are growing steadily in the United States. Solar is outpacing wind because installation costs have dropped 50% since 2010. Utilities, independent power producers and even consumers are now feeding clean electricity to the grid. Google will offset 100% of its energy needs with renewables in 2017. Apple and Facebook aren't far behind.

Battery Storage

Solar and wind are intermittent sources, which has limited their full potential to date, but companies like AEGIS member AES are finding new ways to store excess electricity for future use. Its fourth-generation grid-scale, battery-based energy storage platform helps other AEGIS members, including San Diego Gas & Electric, mitigate intermittency and lower operating costs.

Customer Relationships

The grid and home energy technologies have helped shift the relationship from "ratepayer" to "customer." Mobile apps help customers engage one-on-one with utilities to manage energy use, pay bills and report outages. Utilities are also partnering with telecom and entertainment companies to "go past the meter" into customers' homes with interconnected home service packages.

Coal Plant Retirement

The ongoing, large-scale switch from coal to cheaper and abundant natural gas, coupled with Obama-era EPA rules and environmental concerns, continue to drive the closure and conversion of many traditional, coal-powered generation facilities. Many large utilities are realigning their long-term investment strategies in favor of natural gas and other clean energy resources.

Digitization

It's clear that digitization and the Internet of Things (IoT), including smart meters and smart devices such as Google's Nest, are reshaping the way energy is generated, distributed, monitored and consumed. On the flip side, greater digital interconnection within the energy ecosystem makes it easier for hackers to attack critical infrastructure and steal sensitive data.

Industry Consolidation

This long-running trend continues unabated. Larger, multi-state organizations that provide both electricity and natural gas are better equipped to adapt to environmental regulations, strengthen cybersecurity and acquire additional clean energy resources. But regulators are scrutinizing the deals closely, and several have been turned down.

Will the use of big data become such an accurate predictor of risk that it reduces the need to ask questions?

Change will affect the way customers view insurance, driving demand for new types of coverages and shifting the focus to broader risk management solutions and loss prevention.

Change in the Insurance Industry

Change is not a new trend in the world of insurance. Long-term dynamics – such as new technologies, expanding markets and evolving customer needs – have driven change for many years. What is different today, however, is that this change is now happening at an unprecedented pace, fueled further by the increasingly interconnected economy in which we operate. This change will fundamentally affect the way customers view insurance, driving demand for new types of coverages and shifting the focus to broader risk management solutions and loss prevention. In turn, insurers will have to respond to these changing customer needs by embracing big data and the power of analytics, leveraging new technology to provide more customized products and services, and broadening their mission to not only cover losses but to actually help customers avoid loss events in the first place.

Here are six *drivers of change* to watch:

Artificial Intelligence

Artificial intelligence (AI) can recognize patterns in vast amounts of data, potentially reducing the need to ask routine underwriting questions and helping insurers underwrite risk more efficiently and effectively. By combining algorithms like those used by Amazon with historical data, insurers can build predictive models that help reduce risk, foresee catastrophic losses and streamline reserving practices.

Real-time Insurance

The increasing availability of big data, and the ability to quickly mine it for insights, is enabling insurers to develop more flexible policies. Consider a future where customers can dial up or down specific aspects of their policies in real time. Underwriters can use data to adjust premiums based on the specific risks, creating policies that are no longer renewed annually but instead daily.

Loss Prevention

By combining telematics or the Internet of Things (IoT) with greater use of analytics, insurers can predict where specific loss events may occur and can work with policyholders to prevent the loss. For example, energy companies could more accurately predict weak spots in their infrastructure, and focus their maintenance and repair resources on those areas to help prevent loss.

Unbundling of Risks

Changing customer needs will likely affect traditional comprehensive "all risk" policies. For example, the advent of self-driving cars will likely see collision coverage switch to the manufacturer, while fire and theft insurance might remain with the owner. This unbundling of risks will likely lead to the entry of new insurers who aim to dominate the market with one specific type of policy.

Digital Intermediaries

Digital distribution has established itself in the personal insurance market, and it is set to gain prominence in the commercial market. Insurers will look to leverage digital to enhance their services to business customers. For example, digital can empower customers to manage their policies 24/7 and allows them to explore other products without meeting directly with their agent or broker.

Regulation

In the ten years since the financial crisis, insurers have had to navigate a changing regulatory environment. Shifting political fortunes have created uncertainty over whether the regulatory pendulum will now swing in the opposite direction. The only thing that is certain is that insurers must increase their regulatory agility to navigate the ever-shifting landscape.

History of Innovation

AEGIS is successful because we constantly change to serve the risk management needs of our members. The company was created in 1975 by forward-thinking members who banded together to form the mutual when they could not secure liability coverage from traditional insurance markets. As the energy industry evolved over the decades that followed, we paid close attention to those changes and responded with new and innovative risk management solutions.

AEGIS is launched. 1975
The mutual was activated on January 1, and provided excess liability policies with a $1 million limit to 13 gas utilities. As commercial insurance market conditions hardened further, more members joined, and by the end of 1977, AEGIS had 110 members.

Continuity credit program begins. 1979
As the mutual gained financial strength, policy limits were raised and surplus was generated. After the mutual paid claims and expenses, and strengthened policyholder surplus, it began returning unneeded funds to eligible members in the form of a credit against policies they renewed, thus lowering their long-term cost of risk. The program continues to this day.

DOLI to the rescue. 1985
When the commercial market withdrew D&O coverage for utilities with nuclear operations, AEGIS formed a separate mutual called Directors and Officers Liability Insurance, or DOLI for short. The coverage crisis was so acute that 113 members joined in the first six months. DOLI was eventually folded into AEGIS, and became the basis of our current D&O product offerings.

A busy year with AEGIS London and Y2K. 1999
AEGIS London was formed to serve the global needs of our members, and details of its success are on the following pages. That same year, when the Y2K "bug" threatened to shut down utility control systems, the commercial market imposed Y2K exclusions on many utilities. AEGIS took a different path. We worked with members to audit their operations, and upon successful completion, continued broad coverage without any Y2K exclusions.

Property coverage and Loss Control engineering services introduced. 2000
In response to yet another coverage crisis in the commercial market, this time in the property area, we built a property underwriting team from scratch and empowered them with technical assessments from our Loss Control division to provide sound and sustainable property coverage. The program flourished, and today we write coverage for 200 member companies.

Terrorism coverage when it was needed most. 2001
AEGIS lost many of its reinsurance and brokerage colleagues in the 9/11 attacks on the World Trade Center, and our professionals watched the unthinkable unfold from our offices, which were then directly across the river in Jersey City. When the commercial market excluded terrorism coverage after 9/11, AEGIS created a new program with an industry aggregate that provided terrorism coverage up to its full limit for every member. Eventually, the federal government's TRIA program provided relief, but once again, AEGIS stepped in first to fill the gap.

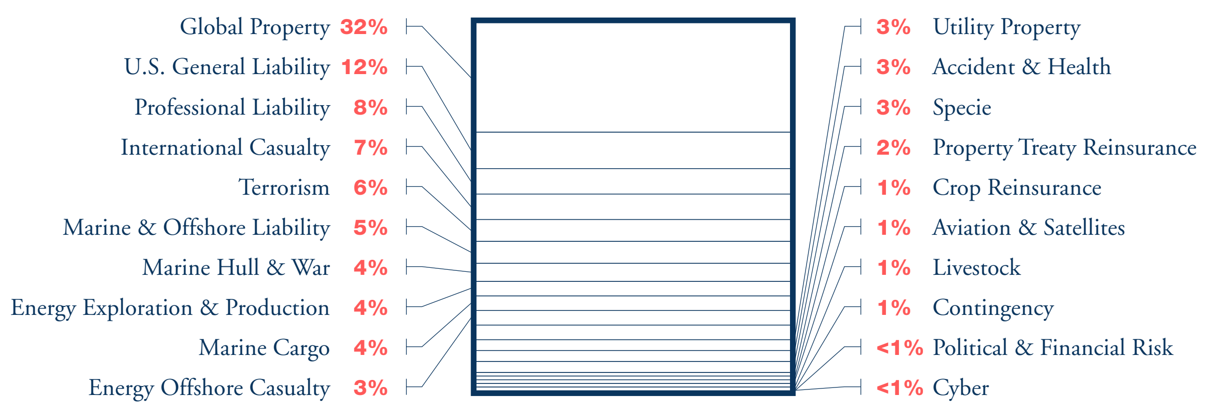
First cyber policy offered. 2013
Working with members of the RMAC's cyber task force and our cyber underwriters at AEGIS London, we introduced our *CyberResilience* policy, which covered attacks against operational technology and critical infrastructure – in addition to data protection and privacy insurance – the first to do so in a standard product. Since then, our cyber coverage and related services have been enhanced considerably, and the cyber underwriting team is now based in North America.

Property consortium and drone coverage introduced. 2015
Members expressed the need for reliable, sustainable and long-term property coverage, and we responded by creating a multi-carrier consortium to provide up to $425 million in limits for certain risks. And with more members using drones to help monitor and maintain their operations, we introduced a $35 million liability policy that attaches to corporate retentions, rather than the previous $10 million minimum requirement.

Why London?

We created AEGIS London in 1999 to meet the changing strategic needs of members. In the 1990s, many AEGIS member companies began to expand internationally, and acquired generating stations in places like Turkey, the Philippines and Indonesia as well as the UK, Spain and Italy. They needed coverage in nations where AEGIS was not licensed to do business, and turned to international insurers, or ventured into the Lloyd’s market on their own. In order to help members place their international coverage quickly and easily, and facilitate their global expansion plans, we formed a dedicated Lloyd’s of London syndicate, AEGIS London.

AEGIS London Classes of Business
As of December 31, 2016 (rounded to nearest percent)



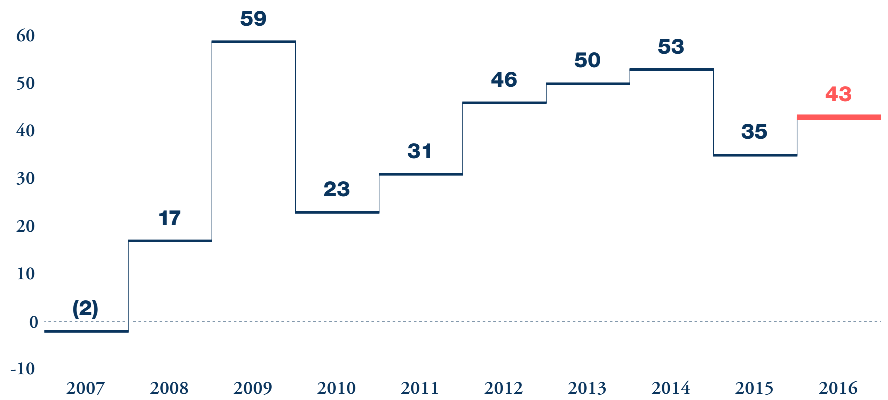
$357 million

contributed by AEGIS London toward policyholder surplus since 2007.

AEGIS London has since grown and diversified to become one of the top-performing syndicates at Lloyd’s, providing specialist knowledge, expertise and market leadership to AEGIS members as well as to many non-energy industries worldwide. The syndicate also provides an income stream that helps build policyholder surplus, and its balanced book of business brings stability to the more volatile energy risks underwritten by our mutual operations in North America.

Many clients at AEGIS London today are London-based wholesale brokers, but our guiding principles are the same. We put our clients first, collaborate on solutions that are best for them, deliver with great service and pay claims fairly and efficiently. Likewise, at AEGIS London, we’re committed to innovative new approaches to the business, such as OPAL, our online quote-and-bind platform, which quickly and efficiently delivers a broader product offering to a wider audience, helping all parties involved become more successful.

AEGIS London Contribution to Total Surplus
December 31 (millions of U.S. dollars)

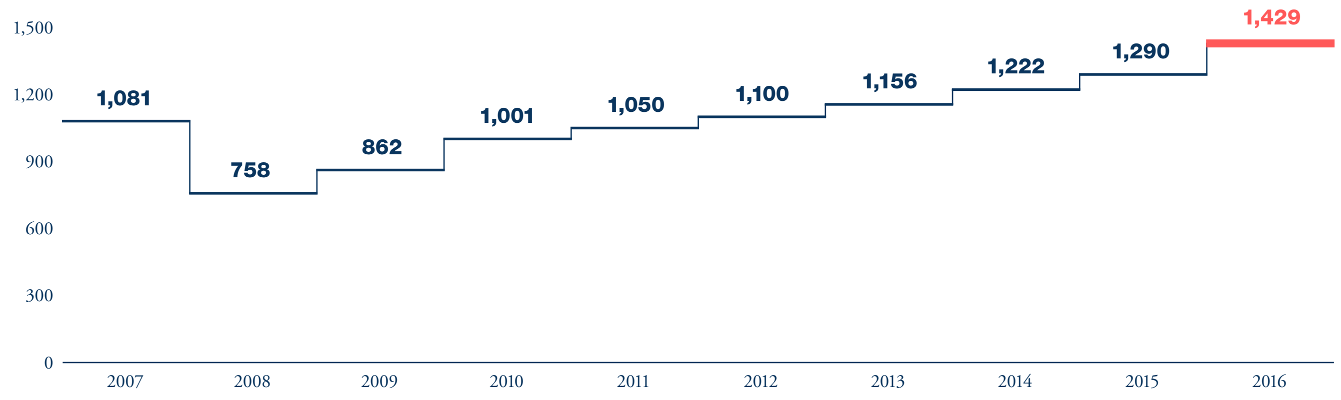


2016 Results

AEGIS reported another successful year in 2016. All key indicators of our financial strength, sound underwriting practices and claims-paying ability are pointed in the right direction. With these solid fundamentals as a foundation, we're well prepared to help members succeed in a changing and disrupted business environment.

Total Surplus

December 31 (millions of U.S. dollars)



$1.429 billion

highest surplus ever

Our policyholder surplus grew by $139 million in 2016, to $1.429 billion, the highest level in the history of the mutual. Strong returns on our investment portfolio and moderate levels of claims activity made this growth possible.

$1.236 billion

gross premiums written

Our gross premiums written totaled $1.236 billion in 2016. Our flagship excess liability business in North America was strong, as were most classes of business in London.

88%

overall combined ratio

The combined ratio for our operations in North America was 89% thanks to solid member and broker support of our excess liability business and a moderate level of claims activity. The ratio for AEGIS London was 87% despite softening rates in some classes of business and an uptick in claims activity.

$682

million in claims paid to policyholders

Our operations in North America and London paid $682 million in claims to policyholders in 2016, down from $990 million the previous year, which was driven by two particularly large property claims. Since AEGIS was founded in 1975, we have paid more than $15.6 billion in claims.

$158

million net investment return

Our investment portfolio returned more than $158 million in 2016. Bullish investor sentiment lifted equities and high-yield credit, helping deliver a healthy 4.1% net return.

$1.212 billion

member credits since 1979

Our member credit programs help member companies achieve the lowest overall long-term cost of risk. Each year, the AEGIS Board of Directors evaluates the company's financial results and determines a percentage of surplus to return to eligible members in the form of member credits. Members who purchase excess liability, D&O, property and London coverage can apply the credits to their premiums upon renewal.

Members have always played a key role in developing new products and services at AEGIS. We actively engage members in the process through one-on-one meetings, regional member meetings, member task forces, our Board of Directors and our Risk Management Advisory Committee (RMAC), which represents the member companies we serve. As we begin to explore the ways we can change and thrive in today's disruptive business environment, members will continue to play a critical role, helping drive the success of AEGIS, their companies and their own careers.

The centerpiece of our partnership with members is our annual Policyholders' Conference, which brings together more than 1,100 members, brokers and AEGIS professionals each summer for a four-day program packed with great speakers, valuable information and plenty of networking and recreational opportunities. Over the years, the conference has grown in size and scope to become the premier event of its kind, and we measure its success by the feedback we receive from members, 90% of whom rated the 2016 Policyholders' Conference in Boston as "outstanding" or "exceeded my expectations."

Changes on the AEGIS Boards, RMAC and task forces

With more than 60 member company representatives serving on our Board of Directors, RMAC, and Claims and Loss Control Task Forces, it's inevitable that some will move on to begin new chapters in their professional and personal lives.

Alan Maguire retired in October after serving 20 years as President & CEO. We are deeply grateful for Alan's outstanding leadership, his tremendous contributions, and his deep and abiding commitment to AEGIS, its mission and its members. We wish Alan all the best in his well-deserved retirement. Also at the Board level, eight of our most distinguished and longest-serving Directors stepped down, and assumed new roles as Emeritus Directors:

Philip C. Ackerman – *Chairman, Retired, National Fuel Gas Company*

Keith E. Bailey – *Chairman, President & CEO, Retired, Williams Companies, Inc.*

R. Don Cash – *Chairman Emeritus & Director, Questar Corporation*

W.R.P. Dalton – *Executive Director, Retired, HSBC Holdings plc*

Stephen E. Frank – *Chairman, President & CEO, Retired, Southern California Edison*

George L. Mazanec – *Vice Chairman, Retired, PanEnergy (now Spectra Energy)*

Eugene R. McGrath – *Chairman & CEO, Retired, Consolidated Edison, Inc.*

Richard G. Reiten – *Chairman & CEO, Retired, NW Natural*

In addition to leading their own companies, these directors generously shared their experience and wisdom with AEGIS. Like Alan, they believe deeply in AEGIS, its mission and its members, and together they served AEGIS for a collective total of 129 years. Words cannot express our gratitude for their countless contributions, and in their new roles as Emeritus Directors, we know we can always count on them when we need them.

Changes (cont'd)

On the AEGIS London Board, **Bill Dalton**, who also served for many years on the AEGIS Board of Directors and is now an Emeritus Director, became the Chairman of the AEGIS London Board of Directors, following Alan Maguire's retirement. AEGIS London also welcomed four new directors to its Board in 2016. **Tom Busher** joined the AEGIS London Board after being a founding member of the senior management team at Montpelier Re, where he served in various roles including Chief Operating Officer. **Jonathan Gray** joined the AEGIS London Board after serving as a director of Beazley PLC's Board and as Director of Property at Beazley Furlonge, where he was also one of that syndicate's original, founding underwriters. **Hermien Smeets-Flier** joined AEGIS London as Chief Financial Officer and Board member from MS Amlin, where she was CFO of Syndicate 2001 and a Board member of Amlin Underwriting Ltd. **Graeme Tennyson** joined AEGIS London as Risk and Compliance Director and a Board member from Endurance Underwriting, where he served as Head of Compliance.

On the Risk Management Advisory Committee (RMAC), five members left and four new members joined. **Michael S. Kaminski**, Manager of Corporate Risk Management at We Energy Group, and **Linda F. Barnett**, Director, Corporate Risk Management at Dominion Energy, retired. **Robert Moussaid** stepped down after leaving Energy Future Holdings (now known as Vistra Energy) to join JLT Specialty Insurance Services. **Katherine Carbon** resigned from the RMAC when she left Sempra Energy. And **Jerry Rhoades** stepped down from the RMAC when he left Portland General Electric to join AEGIS as part of our Member Contact Pool. On the Enterprise Risk Management Task Force, **Anil K. Suri**, Chief Risk & Audit Officer at PG&E Company, stepped down from the ERM Task Force when he retired from PG&E. We are grateful for the countless contributions made by these members and wish them all the best with their new endeavors.

In September, the RMAC welcomed **Janaize Markland**, Director, Enterprise and Operational Risk Management & Insurance at PG&E Company, and **Peter Nadel**, Manager, Corporate Insurance at FirstEnergy. In March, **Denise M. Cosentino**, Director of Enterprise Risk Management at Eversource Energy, and **James M. Vacek**, Director of Insurance Risk Management at CenterPoint Energy, also joined the Committee. Janaize joined PG&E's EORM & Insurance department six years ago after holding a variety of roles at the company, including in compliance, ethics and safety. Pete brings perspective from both the risk management and insurance sides, having worked at Nationwide Insurance before joining FirstEnergy nine years ago. Denise joined Eversource Energy in 2003 as an internal auditor and has held positions in the accounting and enterprise risk management areas at Eversource, as well. Jim has worked in both underwriting and as an insurance broker before bringing his skills to CenterPoint six years ago. The Evolving Utility Industry Risk Task Force gained two new members in the past year: **Kirk A. Kelley**, Director, Corporate Credit & Insurance at Tennessee Valley Authority, and **Frank Stanbrough**, Vice President/Risk Management & Compliance Officer at Southwest Gas.

On the Claims Task Force, **Deborah L. Edwards**, Deputy General Counsel at Piedmont Natural Gas, retired from Piedmont and stepped down from the Task Force. We wish her a happy and productive retirement. **David M. Santoro**, former Associate General Counsel at Consolidated Edison, left the Task Force and his position at ConEd, and is now Assistant Borough Chief in the New York City Law Department. Two new members joined the Claims Task Force: **Kirk A. Cresto**, Director of Corporate Insurance at NiSource, and **Hannah Lim-Johnson**, Deputy General Counsel, Chief Litigation Counsel and Assistant Corporate Secretary at Public Service Enterprise Group. Kirk held senior risk management roles at NV Energy and NextEra Energy before joining NiSource. He's been a strong supporter of AEGIS and the mutual approach to claims management. Hannah is a skilled attorney whose past experience at Tyco International and ADT Corporation will bring a fresh perspective to the Task Force.

On the Loss Control Task Force, **Angela Cool**, Manager, Corporate Insurance at Westar, was appointed Manager of Human Resources Operations and no longer handles risk management duties at Westar. As a result, she resigned from the Loss Control Task Force. We wish her well in her new position.

Our Professionals

Our professionals in North America and London go to great lengths to ensure that members and clients receive the quality coverage that sets industry standards year after year, backed up with exceptional claims service and specialized loss control products and services that are not available anywhere else.

We're looking at ways to match our professionals' commitment to members and clients with the company's commitment to helping them build rewarding and stable careers. Our Workplace of the Future initiative is designed to make meaningful changes in the workplace that encourage collaboration, teamwork, a sense of well-being, and innovative, cross-functional thinking. We're in the process of rolling out a number of changes, including digital smart boards and writing walls in conference rooms, standing and walking desks, and healthy snack choices. We're also launching a Working on Wellness blog that introduces new workplace initiatives in the areas of wellness, collaboration and technology. Our goal is to improve the working experience for our professionals, which in turn will help them embrace change, improve the products and services we provide, and create lasting value for our members and clients.

Meet just a few of the many professionals on the AEGIS team…

Smitha Viswambharan, *Underwriting Officer.* Smitha works in the U.S., where she underwrites excess liability coverage for some of our largest natural gas and electric members. Smitha was mentored by our founding underwriters at AEGIS, including Sandy Johnson, and today she brings Sandy's legendary commitment to member service to a new generation of risk managers.

Simon Richardson, *Head of Program Development.* Simon works in London, where he led the development and successful launch of OPAL, our new online quote-and-bind platform, which delivers a broader product offering to a wider group of clients on a 24/7 basis.

Mee Choi, *Senior Litigation Counsel.* Mee works in the U.S., where she is responsible for the management and oversight of D&O and employment practices claims, as well as claims arising from our new cyber product. Mee partners with members to manage claims together, providing a claims experience that's more effective and efficient than anything in the commercial market.

Leadership

Board of Directors

Wesley W. von Schack
Chairman
Associated Electric & Gas Insurance Services Limited

Owen M. Ryan
President & CEO
AEGIS Insurance Services, Inc.

Gregory E. Abel
Chairman, President & CEO
Berkshire Hathaway Energy Company

Robert W. Best
Chairman
Atmos Energy Corporation

Thomas G.S. Busher
Non-Executive Director
AEGIS Managing Agency Limited

Christopher M. Crane
President & CEO
Exelon Corporation

Thomas F. Farrell, II
Chairman, President & CEO
Dominion Energy, Inc.

Walter M. Higgins
Chairman
South Jersey Industries

Christopher P. Johns
Vice Chairman & President, Retired
Pacific Gas and Electric Company

James J. Jura
CEO & General Manager, Retired
Associated Electric Cooperative, Inc.

Constance H. Lau
President & CEO
Hawaiian Electric Industries, Inc.

Ronald L. Litzinger
President
Edison Energy Group

Jane L. Peverett
Past President & CEO
British Columbia Transmission Corporation and Union Gas Limited

Charles A. Schrock
Former Chairman & CEO
Integrys Energy Group, Inc.

William B. Timmerman
Chairman & CEO, Retired
SCANA Corporation

Emeritus Board Positions

Vice Chairmen Emeritus

Donald J. Greene
Chairman Emeritus
Dewey & LeBoeuf LLP

William H. Grigg
Chairman Emeritus
Duke Energy Corporation

Directors Emeritus

Philip C. Ackerman
Chairman, Retired
National Fuel Gas Company

Keith E. Bailey
Chairman, President & CEO, Retired
The Williams Companies, Inc.

Thos. E. Capps
Chairman, Retired
Dominion Energy, Inc.

R. Don Cash
Chairman Emeritus & Director
Questar Corporation

W.R.P. Dalton
Executive Director, Retired
HSBC Holdings plc

John W. Ellis
Chairman, Retired
Puget Sound Energy, Inc.

Stephen E. Frank
Chairman, President & CEO, Retired
Southern California Edison

Don D. Jordan
Chairman & CEO, Retired
Reliant Energy

George L. Mazanec
Vice Chairman, Retired
PanEnergy (now Spectra Energy)

Eugene R. McGrath
Chairman & CEO, Retired
Consolidated Edison, Inc.

Corbin A. McNeill, Jr.
Chairman & Co-CEO, Retired
Exelon Corporation

Richard G. Reiten
Chairman & CEO, Retired
NW Natural

Officers

Wesley W. von Schack
Chairman of the Board

Owen M. Ryan
President & CEO

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Assistant Vice President

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Actuary

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Assistant Treasurer

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Assistant Secretary

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Committee Chairman

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Christopher M. Crane
Thomas F. Farrell, II
Charles A. Schrock

Audit & Finance Committee

Christopher P. Johns
Committee Chairman

Thomas F. Farrell, II
James J. Jura
Jane L. Peverett

Investment Committee
William B. Timmerman
Committee Chairman

Walter M. Higgins
Charles A. Schrock

Loss Control Committee
Christopher M. Crane
Committee Chairman

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Ronald L. Litzinger

Underwriting Committee
Constance H. Lau
Committee Chairman

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Exelon Corporation

Robert L. Miller
Xcel Energy, Inc.

Peter M. Nadel
FirstEnergy Corp.

H. Wayne Soza
El Paso Electric Company

James M. Vacek
CenterPoint Energy, Inc.

RMAC – Evolving Utility Industry Risk Task Force
J.P. Agnesse
Portland General Electric Company

Kirk A. Kelley
Tennessee Valley Authority

George W. Marget III, Esq.
Dominion Energy, Inc.

Ronald D. Rispoli
Entergy Services, Inc.

Richard Sayette
Exelon Corporation

Frank Stanbrough
Southwest Gas Corporation

Enterprise Risk Management (ERM) Task Force

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AVANGRID

Ken M. Dolan
Basin Electric Power Cooperative

Christopher Eaton
Enbridge Inc.

Steve Haynes
American Electric Power

Richard G. Muzikar
Consolidated Edison Company of New York, Inc.

H. Wayne Soza
El Paso Electric Company

Claims Task Force

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Spire, Inc.

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Derek Boyd
Atmos Energy Corporation

Kirk A. Cresto
NiSource

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We Energies

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Loss Control Task Force

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Mariya Fedorchenko
Berkshire Hathaway Energy Company

Stephen P. Ford
Mississippi Power Company

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PSEG Services Corporation

Lisa Hough
Omaha Public Power District

John Mellette
SCANA Corporation

Sandy Meyers
City Utilities of Springfield

John C. Norman
AVANGRID

Ronald D. Rispoli
Entergy Services, Inc.

Cindy Stevens
Colorado Springs Utilities

Five-Year Financial Highlights

Associated Electric & Gas Insurance Services Limited

For the years ended December 31, (Expressed in thousands of U.S. dollars)	2012	2013	2014	2015	**2016**
Revenue:					
Gross premiums written	$1,244,704	$1,280,125	$1,348,493	$1,250,510	**$1,236,475**
Net premiums written	763,257	878,492	943,102	860,121	**821,955**
Net premiums earned	802,689	805,473	897,966	892,685	**838,455**
Net investment (loss) income	146,472	111,064	83,037	(16,791)	**117,725**
Change in fair value of insurance and reinsurance contracts	(17,291)	38,420	(42,587)	28,642	**(22,333)**
Total revenue	931,870	954,957	938,416	904,536	**933,847**
Expenses:					
Losses and loss expenses incurred	628,139	572,215	579,749	535,092	**569,308**
Commission expense	113,382	97,773	110,272	97,077	**82,589**
Other underwriting expenses	127,436	114,812	118,150	95,087	**87,093**
Total expenses	868,957	784,800	808,171	727,256	**738,990**
Income before continuity and other premium credits and income taxes	62,913	170,157	130,245	177,280	**194,857**
Continuity and other premium credits	34,163	35,544	20,796	19,964	**29,275**
Income before income taxes	28,750	134,613	109,449	157,316	**165,582**
Income tax provision	9,155	44,981	42,581	70,162	**53,467**
Net income	$ 19,595	$ 89,632	$ 66,868	$ 87,154	**$ 112,115**
Other comprehensive income (loss), net of income tax (benefit) expense	30,654	(33,639)	(1,504)	(18,596)	**26,478**
Total surplus, beginning of year	$1,049,941	$1,100,190	$1,156,183	$1,221,547	**$1,290,105**
Total surplus, end of year	$1,100,190	$1,156,183	$1,221,547	$1,290,105	**$1,428,698**
Total assets	$5,599,079	$5,757,767	$6,037,151	$5,718,282	**$6,087,210**
Reserve for losses and loss expenses	$2,993,698	$3,104,771	$3,165,788	$2,879,855	**$3,068,261**

For details on our 2016 financial results, please visit aegislink.com.

Offices

AEGIS

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AEGIS London

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London EC3V 0BT England

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Fax: 44.207.265.2101

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E-mail: enquiries@aegislondon.co.uk

2017 AEGIS Meetings

Annual Meeting

The Annual General Meeting of Members of the Company will be held on October 26, 2017. Notice of the Meeting and the form of proxy shall be issued to each voting Member not less than ten days before the meeting convenes, stating the date, place, time and nature of the business to be considered.

Policyholders' Conference

The annual AEGIS Policyholders' Conference will be held July 17 to 20, 2017, in Vancouver, BC, Canada. Registration information will be e-mailed and posted on our website.

Other Meetings and Seminars

AEGIS will also host a series of regional member and broker meetings, Claims Roundtable seminars, and a number of underwriting, claims and loss control seminars and webinars throughout 2017. Please visit aegislink.com for details.

Associated Electric & Gas Insurance Services Limited ("AEGIS") was incorporated in Bermuda in 1971 and commenced underwriting activities in 1975. Effective January 1, 2015, AEGIS is registered as a Class 3 non-assessable mutual insurance company in Bermuda.

AEGIS is an eligible surplus lines insurer in all jurisdictions of the United States. It is subject to United States federal income taxes, files the required tax returns and maintains a United States trust fund in excess of $150,000,000. AEGIS is also a licensed foreign insurance company in all provinces and territories of Canada and on the general register of foreign reinsurers in Mexico.

AEGIS' operations are supported by a wholly owned subsidiary, AEGIS Insurance Services, Inc. ("AEGIS Services"), which provides AEGIS and its affiliates with professional staff and services.

The AEGIS Syndicate at Lloyd's of London, number 1225 ("AEGIS London"), commenced operations in 1999. AEGIS London's operations are supported by AEGIS Managing Agency Limited ("AMAL"), which provides professional staff and services for AEGIS London. AEGIS Electric & Gas International Services Limited ("AEGIS International") is a corporate member of Lloyd's and the principal capital provider of AEGIS London. Both AMAL and AEGIS International are indirect subsidiaries of AEGIS.

AEGIS