NEIL

2017 Annual Report

Nuclear Electric Insurance Limited

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Letter from Our Chairmen and President

W. Paul Bowers
Vice-Chair

Bruce A. Sassi
President and CEO

William A. Von Hoene, Jr.
Chair

Dear Members of NEIL

As we enter our 45th year of operations, it seems appropriate to reflect on the fundamental aspects of the NEIL business model which have contributed so significantly to our success. Our model is a relatively simple one, grounded in the principles of mutuality, self-determination, financial strength, prudent risk management, underwriting discipline, and a relentless passion for serving our Members. Of these, arguably the single most important attribute of NEIL, and what sets us apart from the commercial market and other industry mutuals, is self-determination. The level of engagement and input NEIL Members are afforded is second to none. It is the Members, through active participation in the Advisory Committees, who establish our terms of coverage, rating structure, and loss control standards - a truly powerful attribute that puts NEIL in a class by itself. We also have a keen understanding and appreciation for the complex challenges and opportunities facing our Members and the nuclear industry. Our resolve to work directly with our Members to develop and deliver sound solutions, and create value and efficiency, has established NEIL as the premier provider of insurance products and services to nuclear power plant operators. Our unwavering commitment to NEIL's Guiding Principles – mutuality, integrity, strength, excellence, and teamwork – has always played a critical role in our success. These Principles will continue to serve as guideposts in all that we do going forward.

Delivering Value…Financially Strong

By any measure, 2017 was an incredibly successful year for your Mutual. NEIL's Surplus increased by $436 million, reaching its highest level in our history. This equates to a Return on Surplus of more than 10% (nearly 18% when accounting for Policyholder Distributions and Premium Credits). This is due, in large measure, to low claims activity – a testament to the industry's steadfast commitment to prudent safety and equipment maintenance practices that is so deeply woven into the nuclear culture. Claims in 2017 were $52 million, resulting in a combined ratio before distributions of 34% and an expense ratio of 15.2%. We are committed to maintaining a disciplined approach to proactively manage our cost structure, and use of, NEIL's financial resources, as we continue to work closely with our Members in the administration and deployment of NEIL products and services.

NEIL's investment portfolio earned 12.3% in 2017, producing realized investment earnings of $434 million. This outcome was largely attributable to strong equity market performance, and our ability to seek prudent opportunities to optimize risk-adjusted returns through tactical asset allocation within the framework of our Investment Policy Guidelines. Favorable performance in both investments and underwriting allowed NEIL to declare a Policyholder Distribution of $285 million and a Renewal Credit of $40 million in December. In March of this year, the NEIL Board approved a supplementary Policyholder Distribution of $146 million, increasing the total Policyholder Distribution amount to $431 million – more than the last five years combined. This is representative of the financial strength of NEIL and the benefits of utilizing a mutual group captive structure to effectively provide insurance solutions and related services to its Members. We are currently forecasting a sustainable Return on Surplus of at least 5% over the next three years.

A Changing Landscape and Our Commitment to Our Members

Over the past five years, 19 nuclear reactors at 15 sites insured by NEIL have either closed or announced closure. Profitably operating nuclear power stations in the current environment that is laden with an abundance of inexpensive natural gas, subsidies for renewables, and markets that fail to recognize the benefits of nuclear – 24/7 operational resilience, long-term fuel supply, and a substantial contributor of zero emissions baseload capacity – is proving to be difficult. Some states have taken steps to enact legislation in support of nuclear, through the adoption of Zero Emission Credits (ZECs). Unfortunately this same level of success has not been realized in several markets where nuclear plants are at risk of closing solely as a result of economic factors.

Delivering Targeted Financial Returns

As a Mutual, we strive to maximize the value proposition we offer to our Members while employing prudent, but vigorous, risk management, managing costs, and increasing operational efficiencies to create value.

In December 2017, NEIL's Board of Directors approved a $285 million Policyholder Distribution and a $40 million Renewal Credit for the Nuclear Policyholders. In March 2018, the Board approved a supplemental Policyholder Distribution of $146 million.

Letter from Our Chairmen and President

Change is taking place in both the Energy and Insurance industries at what many would characterize as an unprecedented pace. An evolving regulatory and electricity market, plant retirements, industry consolidation, and advancements in technology are changing the way our Members conduct business. It would be naïve to suggest that business as usual would be acceptable at NEIL, and we are challenging ourselves to raise the bar in all that we do. Our three-year business plan includes Key Performance Indicators (KPIs), to objectively and transparently measure our goals for continuous improvement and excellence in service, which include:

- Delivering targeted financial returns to our Members
- Prudent risk management and underwriting discipline
- Consequence based loss prevention
- Expanding non-core products and services

Evolving risk exposures, such as Cyber, require a new level of diligence and sophistication in risk management practices and techniques. The use of data analytics and advanced modeling techniques is becoming increasingly the norm in an effort to manage and optimize the economic cost of risk transfer. Our Members are dealing with complex and evolving risk exposures and while many have advanced and highly capable internal resources, they also rely on NEIL as a trusted partner to enhance their already strong capabilities. NEIL remains fully committed to meeting the evolving product and service needs of our Members. We have a proven track record of successfully engaging with our Members, utilizing a process of inclusion to appropriately assess opportunities and, when supportable, efficiently deploying new capacity into the market place. This is always with the benefit of NEIL Members as our primary objective. Currently in a position of significant financial strength, we believe there are many opportunities for NEIL to substantially increase our value proposition, and we look forward to an ongoing engagement with the Membership on this topic.

Changes at NEIL

NEIL's Board of Directors and Leadership Team experienced some noteworthy changes in composition in 2017. At the Board level, four long-standing directors departed after having served full terms – Heidi Steiger, Ruth Whaley, Theo Bunting, and Stacey Mobley. Two directors retired in the second half of the year – Bill Levis and Ed Halpin, and Greg Abel departed in March 2018. These individuals had all been with NEIL for a number of years, and their significant contributions and valuable counsel will be greatly missed. We wish them the best in the years ahead and thank them for the energy and dedication to mutuality they brought to the NEIL Board.

While the recent departures have reduced the number of directors currently on the Board, the quality and level of industry seniority represented remains strong, the directors remain highly engaged, and we will supplement the existing roster as needed. Our most recent addition to the Board, Paul Koonce, is a great example of that process. We are pleased to welcome Paul to the NEIL Board. Paul comes to us from Dominion Energy, where he serves as Executive Vice President and CEO – Power Generation Group.

We also welcome a new member of the NEIL Leadership Team – Anna Arena. Anna joined NEIL in October as Senior Vice President, Chief Financial Officer and Treasurer. Anna has over 20 years of experience in the insurance and financial services industries, having most recently served as the Chief Financial Officer for Lincoln Investments, a leading broker-dealer and full services financial firm. Anna also spent a decade as division CFO of Liberty Mutual, a billion-dollar international insurance corporation. She succeeds Rich White who retired in April after a 14-year career at NEIL. We thank Rich for his many significant contributions to NEIL, and wish him the best in his retirement.

Finally, we want to express our continued gratitude to the employees of NEIL, NEIL Services, and NEIL Overseas. Without their hard work and dedication, NEIL could not provide the level of service excellence our Members have come to expect and deserve. We hope you find the following pages of the annual report informative and of value.

NEIL Highlights

NEIL's Inception through December 31, 2017 ($ in Billions)

Premiums Received

$8.0

Investment Earnings

$8.9

Claims Paid

$3.7

Policyholder Distributions

$6.7

Year-end 2017 Surplus

$4.5

MEMBER ENGAGEMENT

Data points to reflect the touchpoints we have had with the Members

30 Stewardship Meetings with Members held in 2017

39 Advisory Committee and Subcommittee meetings in 2017

135 Loss Control and Project Enterprise Risk Evaluations in 2017

Meeting Attendance in 2017

APM: 140
Plant Contact Workshop: 130
Risk & Insurance Workshop: 100
Project Risk Webinar: 100

MEMBER PROGRAM SUPPORT

Data reflects the Insurance support we are providing

223 Total Nuclear Policies issued in 2017 (NEIL, NEIL Overseas and NSIC)

46 Total Member Conventional Programs NEIL Supports

54% Percentage of Members utilizing NEIL to support their Conventional Property Programs

24% Percentage of Members utilizing NEIL to support the Cyber Programs

5 New Non-Member Programs bound in 2017

Financial Highlights

NEIL's Finances Remain Strong

NEIL's financial strength continued to improve in 2017, which resulted in an increase in Surplus and the highest Policyholder Distribution since 2007 being declared. Underwriting performance was favorable and the investment portfolio produced very strong returns. Overall, the Company closed out 2017 in perhaps the strongest financial position in its history, with Surplus just over $4.5 billion. NEIL's overall financial strength reflects our commitment to Membership.

Statement Of Operations	2017	2016	2015
Net Premiums Earned (net of Performance and Participation Credit)	$230,953	$259,041	$215,927
Losses and Loss Adjustment Expenses*	52,241	55,963	271,889
Administrative and Commission Expenses	42,189	38,108	40,802
Earnings from Underwriting Operations	136,523	164,970	(96,764)
Net Investment Income and Net Realized Gains	434,202	387,443	163,644
Earnings Before Distribution to Policyholders and Income Tax	570,725	552,413	66,880
Distribution to Policyholders	285,000	100,000	100,000
Earnings Before Income Taxes	285,725	452,413	(33,120)
Income Tax (benefit) Expense	(56,296)	152,699	(12,821)
Net Earnings	342,021	299,714	(20,299)
Other Comprehensive Earnings (Loss), Net of Income Taxes	94,526	(60,707)	(90,847)
Comprehensive Earnings	$436,547	$239,007	$(111,146)

In thousands of U.S. Dollars

As of and for the year ended December 31

*For additional detail regarding losses and loss adjustment expenses, please refer to the Notes to Consolidated Financial Statement

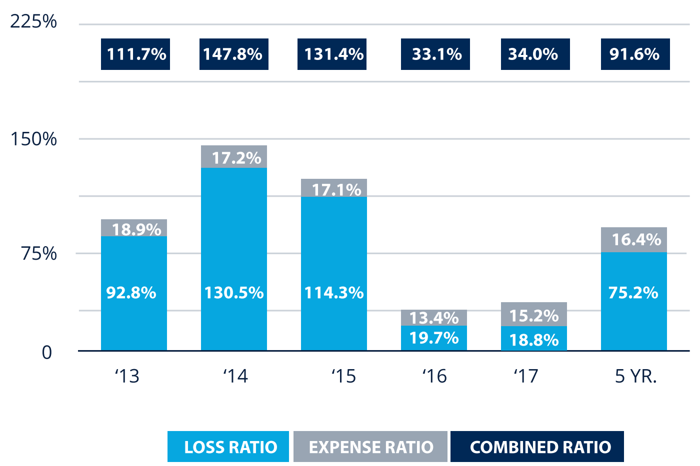
Balance Sheet	2017	2016	2015
Assets	$5,640,276	$5,099,254	$4,797,341
Liabilities	1,105,075	1,000,600	937,694
Administrative and Commission Expenses	4,535,201	4,098,654	3,859,647

In thousands of U.S. Dollars

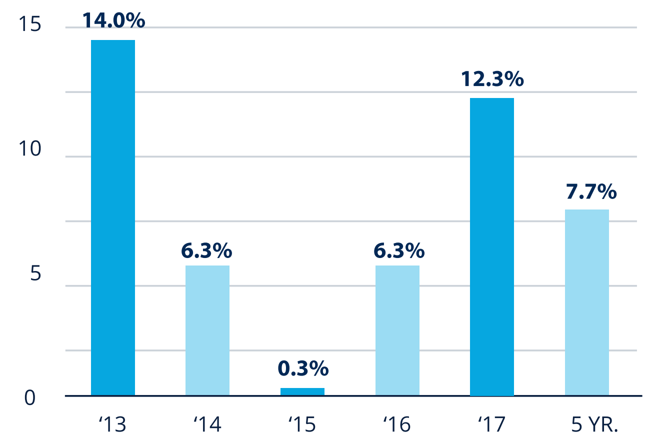
As of and for the year ended December 31

Financial Highlights

Combined Ratio (pre-PPC)



Investment Portfolio Returns



Combined Ratio (pre-PPC)

Investment Portfolio Returns

Operating Results

In 2017, NEIL reported comprehensive earnings of $437 million, compared to earnings of $239 million in 2016. The results were driven by strong investment and underwriting performance and reflect the benefit of unrealized gains and reduced tax liability as a result of the Tax Cuts and Jobs Act of 2017.

Earnings from Operations

Net earned premiums were $278 million and $284 million before the Performance and Participation Credit (PPC) for 2017 and 2016, respectively. Pre-PPC Underwriting Earnings in 2017 were $184 million compared to $190 million in 2016, due to lower earned premiums offset in part by favorable loss experience - 19% and 20% for 2017 and 2016, respectively.

Earnings from Investments

Investment portfolio returns for 2017 were 12.3% compared to 6.3% for 2016. These results reflect a very strong market during the year and good performance by the Company's external portfolio managers. Pre-tax earnings from investments for 2017 were $580 million compare to $294 million for 2016.

Reserves

Year-end 2017 reserves were $300 million, a 5.1% decrease from 2016. The decrease was driven by reserve releases and claim settlements on prior accident year claims within the Non-Member program.

Policyholders' Surplus

NEIL's Surplus at December 31, 2017 was $4.5 billion compared to $4.1 billion as of year-end 2016.

Policyholder Distribution

The Board declared a $285 million Policyholder Distribution for 2017. While materially greater than the Distribution amounts for the four previous years ($100 million), the Company's strong financial results, and commitment to Membership, support the increased Distribution for the year. NEIL continues to reinforce its expectation to provide sustainable Distributions moving forward. The Board also approved a $40 million Renewal Premium Credit for the 2018 Nuclear Policy renewals.

On March 9, 2018 NEIL's Board of Directors declared a supplemental policy Distribution of $146 million. While based on the Company's final 2017 Financial results, the supplemental Distribution will be a 2018 Financial results event.

AM Best Rating

Financial Strength Rating
A.M. BEST
A Excellent

NEIL was pleased to receive a reaffirmation of its "A" Excellent Financial Strength Rating (FSR) and its "a+" Issuer Credit Rating (ICR) from A.M. Best Company. A.M. Best is a global credit rating agency that serves the insurance industry. NEIL has received an "A" FSR for 22 consecutive years. A.M. Best also reaffirmed its "stable" ICR outlook for NEIL.

Investments

Cofrentes Nuclear Power Station – Valencia, Spain

Strong 2017 Performance Supports Positive Year

Equity markets provided extraordinary returns for investors in 2017, as the global economy continued to strengthen. The S&P 500 rose every month of the year for the first time in its history. Record levels were achieved across major U.S., international and emerging market stock indices. The surge in equities was accompanied by an unprecedented calmness, with market volatility near historical lows for most of the year. NEIL's mix of public equities returned nearly 24% for the year. For the entire portfolio, NEIL achieved a strong 12.3% net return for the year, nearly double the return from the prior year.

Economic fundamentals were strong, but valuation measures for stocks rose to increasingly uncomfortable levels during the year. Historically, owning equities at these elevated valuations resulted in poor returns going forward. Mindful of the risk posed by unusually high equity valuations, NEIL implemented a derivative strategy on $1 billion of equity exposure during the second half of the year. This derivative strategy, known as a "put spread collar," provides a degree of downside protection while retaining meaningful upside participation. Because markets continued to advance through year-end, the strategy incurred a mark-to-market loss of $48 million as of year-end. Despite the mark-to-market loss, NEIL expects to leave the put spread collar in place until mid-2018 to provide some protection from potential equity market declines.

Relative to the Policy Benchmark, NEIL's investment return was 139 basis points below its Policy Benchmark return, due primarily to the impact of the put spread collar. NEIL's consistent tactical underweight to U.S. and international equity, which is redeployed in private equity, real estate, and hedge funds, also detracted from relative returns as those alternative asset classes failed to keep up with public equity markets.

Fixed income investments behaved in a more typical manner during 2017, as the improving economy supported good credit fundamentals and helped tighten spreads. The U.S. Federal Reserve raised short-term interest rates an expected three times during the year, but longer-term fixed income yields fell slightly as central bank bond purchases continue to support demand. The combination of good credit performance and a decline in intermediate term bond yields produced moderate returns for NEIL's fixed income investments. While the amount and pace of further Fed rate increases is uncertain, yields on cash and shorter duration fixed income increased materially over the past year.

NEIL's international investments generally outperformed U.S. investments, due to a substantially weaker U.S. dollar against most currencies. Policy uncertainty in the U.S., including concerns over trade policies, has contributed to a fall-off in demand for the dollar despite growing expectations for higher interest rates. In Europe, economic improvement and a more stable political situation provided a favorable backdrop for risk taking. Globally, stronger demand and pricing for energy, copper, and other commodities boosted many emerging markets. NEIL's emerging market equity investments returned over 34% in 2017.

Market momentum is strong heading into 2018, boosted by a tax bill that sharply lowers corporate tax rates for U.S. companies. A healthy economy should allow the Fed to continue unwinding the cumulative impact of quantitative easing, or "QE". Central banks in Europe and Japan are also transitioning toward tighter monetary policy. Since QE is often cited as a major contributor to financial market gains over recent years, many believe there is a meaningful risk of correction as central banks pull back. Valuations across most risky assets are stretched by traditional measures and thus vulnerable to decline. Other important risks we are monitoring include rising global debt levels and geopolitical tensions in several regions. NEIL's investment view and investment performance were shared throughout the year with NEIL's Board of Directors.

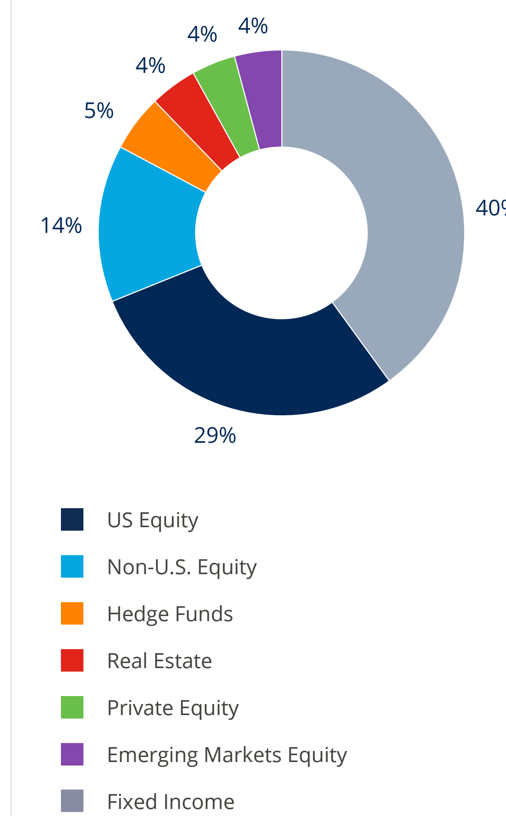
During the fall, NEIL, with its consultant, Russell Investments, completed a review of NEIL's Investment Policy asset allocation. Using Russell's modeling assumptions, NEIL tested various portfolios for expected return and risk over several time horizons. Notably, the current Policy asset allocation, with 55% equity, was found to offer the best risk-adjusted return within NEIL's established risk appetite. A decision to maintain the current Policy asset allocation was approved in December by NEIL's Board of Directors.

2017 Investment Return
12.3%

Five-Year Annualized Return
7.7%

Ten-Year Annualized Return
5.3%

Investment Portfolio Asset Allocation at Year-end 2017



IAC Vice-Chair, Mike Mee (left), IAC Chair, Mark Blair (center) and NEIL VP - Underwriting, Mike Kolodner (right)

Insurance Advisory Committee (IAC)

For 2017, the IAC met or exceeded all five of the Committee's Primary Objectives through the combined efforts of the NEIL Members and Staff. The IAC met or exceeded all 16 of their Key Initiatives, with six recommendations presented to, and approved by, the NEIL Board of Directors in December.

During the year, 33 Member Advisory Committee Representatives were engaged in support of the IAC's Objectives. All told, the IAC successfully developed and considered 18 substantive resolutions in support of NEIL, while monitoring implementation of several important initiatives to improve Member engagement and efficiency. Thanks to the leadership of Mark Blair (Ameren), Erica McNabb (NextEra) and Mike Mee (Exelon), 2017 proved to be the Committee's most productive year in recent history.

The Policy Forms Subcommittee successfully completed Phase II of the Nuclear Policy Deep Dive Review under the leadership of Ron Rispoli (Entergy), Lisa Hough (OPPD) and Al Bynum (SCANA), with support from the Legal and Engineering Advisory Committees. Phase II of the effort required the Subcommittee to disposition roughly 150 individual policy provisions, and prepare the policy forms for review by the Membership. Phase III of the effort, which includes Member review and feedback on the proposed policy forms, began in November, following a report to the full IAC in October. As part of the Phase III preparations the Subcommittee oversaw the completion of draft policy forms, interpretive commentary, and other supporting materials. The Phase III materials were released to the IAC and Members Legal Counsel in conjunction with the Risk & Insurance Workshop held in November.

The Underwriting Subcommittee, under the leadership of Mike Mee and John Mellette (SCANA), continued its efforts to complete the multi-year Premium Adequacy Review to assess the aggregate premium levels required to sustain the Member nuclear programs. An updated Phase I, which involved the evaluation of loss exposures and determination of underwriting alternatives, and Phase II, which included the selection of underwriting alternatives and the determination of appropriate premiums, were completed during the year. A full report on this effort was given to the IAC in October. Phase III of the review, implementation, is on-track for completion in 2018.

The Risk Management Subcommittee successfully completed multiple tasks as part of its ongoing Operational Effectiveness Review. Led by Stephen Lloyd (TVA) and Roger Olson (DTE), the Subcommittee reviewed and analyzed critical Member-generated feedback from the Quality of Service Questionnaire, and IAC Meeting and Member Stewardship Meeting surveys from the previous year. As part of its efforts, the Subcommittee completed the second Member Service Lessons Learned review, which seeks to identify objective successes, challenges and opportunities for operations and service delivery improvements. The review resulted in ten actionable recommendations to NEIL Staff, which were reviewed and endorsed by the full IAC in October. Implementation will be monitored by the Subcommittee in 2018.

As the IAC heads into 2018, its focus is on continuing to build on the successes and achievements from 2017. The effective engagement of the IAC members remains a critical component of NEIL's success, and efforts to further improve efficiency and engagement will continue in support of NEIL's Members.

Expanding Products and Services

We remain focused on our core nuclear programs, but also look to prudently deploy our resources in other ways that support our Members' needs.

In 2017, NEIL began supporting Members' captives, completed two strategic analytics reviews for Members' conventional property programs, and completed 13 strategic analytics reviews for Members' cyber programs.

Above: Former EAC Chair, Bob Tomala (left) and current EAC Chair Mark Boone (right)

Engineering Advisory Committee (EAC)

The EAC executed on a full slate of activities in 2017, with the strong support of the NEIL Loss Control Staff. The EAC efforts focused on proactive loss prevention, Member engagement, excellence in operations, and enhanced personnel proficiency. NEIL Members, NEIL Leadership and Staff supported the EAC in successfully completing the tasks identified and prioritized for 2017, with areas of significant change being communicated to the industry through two Loss Control Bulletins and NEIL attendance at industry group meetings.

The EAC will undergo a leadership change in the early part of 2018, with Mark Boone (Dominion Energy) succeeding Bob Tomala (Exelon) as Chair of the Committee. John Lattner (Southern Company) will become the EAC Vice Chair. To ensure a smooth transition, a strategic planning session was held in October to establish a three-year plan for the EAC. The plan supports NEIL's move toward consequence-based loss control. We thank Mr. Tomala for his four years of service as Chair and for his thoughtful leadership.

Also, during 2017 interim Executive Committee members were elected to fill unexpired terms. Brian Adami (Energy Northwest) filled the seat vacated by Rudy Gill (NextEra), and Raul Orive (Iberdrola Generación) filled the seat vacated by Marnix Van Steenberge (Engie). We thank Mr. Gill and Mr. Van Steenberge for their service to the Mutual and wish them well in their new roles.

The EAC oversaw the development and implementation of processes focused on risk-significant items, fostering a culture of "all losses are preventable." Activities in this area included turbine building fire protection, natural hazards assessment, project enterprise and emerging risks evaluation, and implementing risk communications using Loss Expectancies. Specific accomplishments include the development of a methodology for collecting information on natural hazards, with work to determine current exposures set to be complete by mid-2018, and the completion of evaluations of Member projects identified as potentially presenting non-homogenous or latent operational risks.

The EAC's efforts were supplemented by the work of the Turbine Building Fire Protection Task Force, which was asked to address turbine building fire risks that can potentially be reduced through uncomplicated actions. The Task Force, chaired by Mark Boone, completed its work and presented its findings to the EAC and IAC Subcommittees. NEIL issued a Loss Control Bulletin to the Membership outlining the Task Force's findings and risk mitigation actions Members should consider. In addition, NEIL presented a white paper on the subject to the Institute of Nuclear Power Operation's (INPO) Executive Advisory Group.

The Boiler & Machinery (B&M) and Property Subcommittees, chaired by Phillip Bradley (Dominion Energy) and John Lattner, respectively, continued important efforts to review NEIL's Loss Control Standards and update them as warranted. The focus of any updates remains to help the Company and the Members better manage and reduce risk. For 2017, revisions to the Loss Control Standards in seven areas were reviewed by the EAC and approved by the NEIL Board of Directors.

The Audit Subcommittee, chaired by John Henderson (Comanche Peak Power Company), completed two audits of NEIL Services' activities in 2017. The Subcommittee supports the Company's efforts to promote continuous improvement and the pursuit of excellence in loss prevention, by ensuring consistent application of the NEIL Loss Control Standards. A records audit was completed at NEIL Overseas to evaluate the consistency and rigor of the Loss Control Program implementation. No findings were identified. In addition, the Subcommittee performed an audit of the Company's Project Enterprise Risk Program. The audit team included two members of the Subcommittee, a subject matter expert from INPO, and a representative from NEIL's Internal Audit partner, PricewaterhouseCoopers. The team found the Program to be well structured to perform its intended function and is being implemented in accordance with procedure.

The Project Enterprise Risk Subcommittee, chaired by Mark Manoleras (First Energy) continued to oversee activities associated with Loss Control Staff's review of risks presented by large capital projects at Member Insured stations. In addition, the Subcommittee met with INPO to ensure alignment of scope and interest to prevent unnecessary burden on the industry.

In addition to supporting the work of Subcommittees and Task Forces, Loss Control engaged with the EAC and NEIL Members on important broader industry matters. In 2017, Loss Control increased participation with industry groups such as INPO, NEI, and EPRI to prevent overlapping activities, stay abreast of industry issues, and support resolution of industry issues in support of the Members.

Achieving Excellence

Excellence in Service at NEIL means having a Membership that views NEIL as a valued strategic partner to efficiently identify, assess, manage, and mitigate risk.

In 2017, the Core Service Teams began implementation of the Company's Service Delivery Model, which included engaging in 30 Stewardship meetings with individual Members during the year.

IAC Vice-Chair, Mike Mee (left), IAC Chair, Mark Blair (center) and NEIL VP - Underwriting, Mike Kolodner (right)

Legal Advisory Committee (LAC)

The LAC continued to play an important role for the Members by supporting joint Member Subcommittees and other NEIL initiatives. The LAC, chaired by Dutch Bumgardner (Dominion Energy), and NEIL Legal Staff continuously look for opportunities to include Members Legal Counsel in Advisory Committee and NEIL initiatives. The unique insights brought by Legal Counsel are well appreciated, and over the years the LAC members have been important contributors to Member efforts.

During 2017, multiple LAC members participated in important NEIL Subcommittees. Five members serve on the IAC's Policy Forms Subcommittee, which is currently focused on the Nuclear Policy Deep Dive Review. The LAC team, led by Al Bynum (SCANA), includes Peter Glass (Xcel Energy), David Jenkins (FirstEnergy), and Jeff Weikert (El Paso Electric). Dave Conley (Duke Energy) remains a participant on the Subcommittee, to promote stability for the Deep Dive Review, despite stepping down from the LAC in 2016. The LAC team supported the review of roughly 150 individual nuclear insurance policy provisions as part of Phase II of the Deep Dive Review, meeting four times during the year, and supporting the November Risk & Insurance Workshop. Jon Christinidis (DTE) continues to participate on the EAC's Project Enterprise Risk Subcommittee.

On March 27-28, 2018, NEIL hosted its 12th Members Legal Counsel Conference, in Phoenix. At that time the LAC met to receive updates on Company matters.

Regrettably, at the end of 2017, Jennifer Buettner (Southern Company) stepped down from the LAC, vacating her position as Vice-Chair. We thank Ms. Buettner for her enthusiasm and support of the LAC and NEIL, and wish her well in her new role. The LAC Nominating Committee will consider potential candidates to fill the Vice Chair position.

Claims

In 2017, seven events led to eleven claims being reported under the core nuclear insurance programs. Thirteen claims were closed during the year, leaving the Company with eighteen open core nuclear claims as of December 31. In the non-core insurance programs, which includes Member Conventional and general assumed reinsurance, 181 claims were opened during the year, and 131 claims were closed. This left the Company with 305 non-core open claims at year end. Losses across all programs during 2017 resulted in a consolidated loss ratio of 18.8% for the year. 2017 continued an overall positive trend in claims activity, with a three-year average Accident Year loss ratio of 43%.

New claims filed in 2017 included the structural failure of the "B" main condenser at Watts Bar Unit 2 (Tennessee Valley Authority), damage to the main generator at Comanche Peak Unit 2 (Comanche Peak Power Company, LLC), and damage caused by Hurricane Irma at Turkey Point and St. Lucie (Florida Power & Light Company).

Organizational Strength

Our goal is to be the premier insurance partner to our Members through our relentless commitment to promoting a service-oriented culture, and maintaining strong communications to enable efficient information sharing.

In 2017, this effort included the effective deployment of the Company's meeting and event registration service, Cvent, and the hosting of three of the most well-attended Member meetings in our history – the 2017 Annual Policyholder Meeting, with 140 attendees, the Property Plant Contact Workshop, with 130 attendees, and the Risk & Insurance Workshop, over 100 attendees.

Service Delivery

Improved Quality of Service and effective Member engagement were the goals for implementation of a Service Delivery Model in 2017. A unique Core Service Team consisting of an underwriter (Account Manager), loss control representative (Member Leads) and Claims Leads were assigned to each Member. This facilitates accountability to Member Companies and the alignment of NEIL's internal resources. The Core Service Team collaborates to review a Member's risk profile and business strategy to identify areas of opportunity (products and services), that will support the Members' goals. The Account Manager is the primary contact for all matters, communicating insurance information to the Core Service Team and coordinating insurance related interactions with the Member. The new role of Loss Control Member Lead ensures each Core Service Team is supported by a dedicated loss control professional. The Loss Control Member Lead is empowered to coordinate the delivery of loss control services for Member nuclear risks and insurance management programs. The Claims Lead manages all claims related exchanges with the Member.

Over the course of 2017, the Core Service Team networked with Members, to reinvigorate relationships to support development of products and services with their evolving needs in mind. Program development has been focused on external facing relationships and Member engagement, with the objective of ensuring each interaction improves NEIL's value to the Member. Processes and procedures will continue to be formalized through 2018. Leveraging the accomplishments of the Core Service Team, NEIL will look to strengthen its internal operations, identify workflow efficiencies, and find opportunities to improve utilization of existing resources. This will result in NEIL becoming a more agile organization that is prepared to advance with the changing needs of our Members.

Millstone Nuclear Power Station – Waterford, Connecticut

Underwriting

The Insurance Department had a very strong year in 2017. Staff continued to pursue opportunities to improve the quality of service to the Members, including support for a notable increase in the amount of Strategic Analytics packages provided to Member Risk Managers. Additionally, in consideration of pending retirements, new business written and future opportunities, the team welcomed three new underwriters and two assistant underwriters to the department.

The Member Nuclear program continued to be the primary focus for the Department, accounting for approximately 79% of gross written premium for 2017. With underwriting discipline and interdepartmental performance improving across all lines, the Staff continued to successfully implement changes to improve efficiency and increase accountability to Member Insureds. This enhanced focus is perhaps best evidenced by the results of the Member Nuclear renewal process, with 100% of the core nuclear insurance contracts being executed in advance of their renewal dates and delivered within 30 days for the first time, a tremendous achievement.

All expiring Member Nuclear insurance programs renewed in 2017, with NEIL achieving program and policy retention rates of 100% and 96.9%, respectively. Total limits deployed, however, fell 2.1% ($4.4 billion) to $202 billion. While there were no material changes to overall deductible or waiting period profiles, there were usual and customary adjustments to several programs as Member Risk Managers continue to optimize their programs in response to shifting exposures and objectives. As in 2016, total capacity requested by Members continued to trend down slightly. This was

Underwriting

expected and is driven largely by eroded asset valuations, plant shutdowns, efforts to reduce premium expenditures and, to a much lesser extent, the availability of alternative capacity in the global marketplace. As a result, gross written premiums as of December 31, 2017 were $239 million, down 3% ($8 million) relative to December 31, 2016.

Non-core (Member Conventional and Non-Member) insurance programs continued to be maintained at low expense, providing meaningful at-cost capacity to Members and generating favorable risk adjusted returns as respects non-Members. With retention rates approaching 100% for the Member Conventional Property and Cyber programs, focused optimization of the non-Member portfolio and a meaningful investment of resources to improve NEIL's experience and expertise, non-core business grew modestly in 2017 and finished the year poised for growth in 2018 and beyond.

Loss Control

In 2017, Loss Control maintained a focus on the identification and mitigation of exposures through the plant evaluation process, the development of Loss Expectancies, and the evaluation of potential emerging risks. These activities have supported a renewed approach to managing risk exposures through interaction with the sites, Member Risk Management personnel, and NEIL Underwriting, using the newly established Service Delivery Model.

In July, Loss Control hosted its 15th Plant Contact Workshop, focusing on engagement with property plant contacts. NEIL Services partnered with INPO in hosting the workshop. Various topics were discussed such as NEIL's transition from a focus on loss control to loss prevention, Fire Brigade response to major transformer fires, and the Turbine Building Fire Protection Task Force findings. The 2017 Workshop had a record attendance with many stations sending multiple representatives, validating the importance the industry places on the workshops.

A significant aspect to Loss Control's changing approach is to view each encounter with Members as an opportunity to add value, and to work with the Members to explore ways to eliminate activities that do not bring value.

Major tasks, intended to eliminate non-value adding activities, include evaluation planning changes, the method used to communicate exposures to the Member, new criteria for reporting requirements, and eliminating certain Standards. The focus of this work is to identify and eliminate activities that are not cost effective in reducing or eliminating risks to the Mutual. In 2017, Loss Control and Insurance redefined how "should" requirements in the Loss Control Standards will be handled. NEIL issued a Loss Control Bulletin to the Membership describing the change in approach - shifting from compliance-based Loss Control to the use of Loss Expectancies to explain and communicate exposures to the Member.

The Loss Control Staff was also engaged with the broader nuclear industry in the "Delivering the Nuclear Promise" initiative throughout 2017. Staff participated on three working groups to ensure alignment of the initiatives with NEIL's Loss Control Standards.

Moving into 2018, Loss Control will continue to focus on improvement in its delivery of services to the Members, with an eye towards the efficiency and effectiveness of the Department's organization, its products and its processes.

Operational Highlights

In June, the Company hosted its second Annual Policyholder Meeting (APM), which included the Annual General Meeting. The APM is designed as a forum to promote communications between NEIL and its Members and to foster interaction between the NEIL Board of Directors and Advisory Committees. The 2017 APM was the largest and most diverse group of attendees at a NEIL general meeting.   In total, there were approximately 140 attendees, with guests from a variety of entities, including Nuclear Energy Institute (NEI), the Institute of Nuclear Power Operations (INPO), American Nuclear Insurers (ANI), Energy Insurance Mutual (EIM), Associated Electric & Gas Services (AEGIS), European Mutual Association for Nuclear Insurance (EMANI), Marsh, Guy Carpenter, Aon, McGriff, Munich Re, and Clyde & Co. NEIL Leadership looks to repeat the success of the APM in 2018.

2017 was a busy year from a staffing standpoint, with seven new employees being hired. During the year, Rich White retired as the Company's Chief Financial Officer (CFO) after 14 years. After a national search, Anna Arena was named the Company's new CFO in October.

Operational Highlights

Three-Year Business Plan Overview

From a corporate planning perspective, in 2017 NEIL adopted a three-year Business Plan for NEIL. Moving from a one-year to three-year outlook addresses three important objectives:

- **Promotes long-term operational and business planning viewpoints**
- **Enhances alignment between Members, the Board, and NEIL**
- **Provides transparency for key metrics that maximize the Mutual's value to the Membership**

The Plan is framed around four "Cornerstones" that reflect the company's areas of focus, and introduced a streamlined approach to tracking goals and objectives through the use of newly developed Key Performance Indicators (KPIs). The KPIs complement existing performance metrics, and are designed to promote active monitoring of the operating environment and reinforce key value drivers to the Membership. The KPIs are medium to long-term in nature and will measure NEIL's Member value proposition, quality of service, financial performance, and industry trends. Under the Plan, the Leadership will regularly assess performance against the established targets and provide updates to the Members and Staff.

The Plan and objectives were also developed to recognize and promote to each NEIL employee that they play an important role in promoting excellence in service delivery, and have the ability to directly influence the Company's performance against one or more of the corporate objectives.

The Company's Plan summary document can be accessed at ***www.myneil.com***.

Risk Management

NEIL continues to advance its Risk Management Framework, supplementing recurrent risk management activities with ad-hoc analysis and evaluation. Recurring activities include NEIL's Strategic Risk Assessment, and ongoing monitoring of Risk Appetite Statement, Key Risk Indicators and Return on Capital metrics. In addition, during the year, NEIL's Risk Department conducted scenario stress testing to evaluate variations in Member financial returns under a variety of scenarios, as well as changes in plant life and insurance purchase patterns. NEIL's control environment remained an area of emphasis as the Company utilized its BCP and Cyber Incident Response plans to successfully complete a facilitated, company-wide exercise centered on a cyber security event.

Information Technology

2017 was a busy year for the IT Department. The Department led important projects in 2017 to support Member service, included oversight of the NEIL Member website revision, in conjunction with the new NEIL Brand, and the adoption of a new meeting registration service. The website redesign effort went beyond the look and feel of the new Brand by also implementing features that improved responsive and navigation. The adoption of Cvent for meeting registrations included development and implementation of the NEIL Meeting App to improve an attendee's experience at NEIL meetings. The outcome from both efforts were well-received.

From an internal perspective, IT continued to focus on improving the security of NEIL's network and data against attacks. Some important accomplishments in this area include completing annual Attack and Penetration tests from outside experts, and implementing access restrictions to the myneil.com and nmlneil.com domains.

Looking ahead to 2018, IT will continue to focus on the Company's network and data security, to respond to the rapidly evolving cyber risks landscape, and work with the Company's other Departments to leverage technology to enhance the Member experience with NEIL.

NEIL Overseas

NEIL Overseas had a solid year in 2017, settling in to its new structure and focusing on more efficient service to NEIL's international Members. To that end, Stewardship Meetings were held at key points in the year with all but one of NEIL's international Member utilities. NEIL Overseas received frank and constructive feedback, and came away with a better understanding of the international Members' unique and collective concerns, areas for additional support, and points for improvement. This level of engagement was further reflected with increased international Member participation on the IAC and EAC Committees, both at an executive level and within the sub-committees.

From a regulatory perspective, May 2017 marked the completion of the first full cycle of all the Solvency II requirements, with considerable effort going into the preparation, approval and filing with the Central Bank of Ireland (CBI) two detailed reports - the Solvency and Financial Condition Report (SFCR) and the Regular Supervisory Report (RSR). These filings marked the transition of Solvency II compliance from a focused project to business as usual. NEIL Overseas ended 2017 with Solvency II Capital Reserves of $68.5 million and a Solvency Capital Requirement (SCR) of $31.5 million, giving an SCR ratio of 218%.

Premium income from Member Nuclear remained stable in 2017. One prudent Member Conventional Policy was written; NEIL Overseas supported the Insurance Department in its assessment of multiple non-Member opportunities, with one modest non-Member policy written out of NEIL Overseas, being the first such policy in over ten years.

International Member Loss Control services were efficiently delivered from NEIL Overseas and NEIL Services Spain, with regular evaluations performed, technical project reviews and support provided, and an onsite Project Enterprise Risk assessment successfully completed in Belgium. Claims were coordinated out of Dublin, with adjusting support provided by NEIL Services in Wilmington.

As in the US, the outlook for Nuclear in Europe was challenging in 2017. The Spanish Government announced they were not providing a life extension to the Santa Maria de Garoña Nuclear Station located in the Northern part of the country. NEIL Overseas continues to work with the Member, Nuclenor, to provide Underwriting and Loss Control support as they finalize the decommissioning plan for the station.

Operational Highlights

Compliance and Controls

As one of the largest net line insurers of nuclear risks, and flowing from the unique relationship with our Members, NEIL appreciates the importance of a Compliance and Controls program that promotes a culture of compliance and ethical behavior at the Company. NEIL's Compliance Program, which includes its Code of Conduct, represent the Company's commitment to adhere to its legal and business commitments and requirements.

NEIL Staff has always exhibited a strong commitment to compliance, but based on the increasing complexity of the Company's business and regulatory requirements, coupled with staff growth, NEIL Leadership deemed it prudent to reinforce the "tone at the top" with respect to compliance. Thus, in 2016, the Company formed an internal Compliance and Controls Committee, chaired by NEIL's General Counsel, Ken Manne, and charged it with oversight of the Company's Compliance Program.

In 2017, an Internal Audit to review the implementation, and initial impacts, of the Compliance and Controls Committee was completed by PricewaterhouseCoopers (PwC). In its final report to the Board Audit Committee, PwC commented that "Internal Audit's point of view is that the culture of control and awareness has been enhanced and appears to be embedded within the organization." Further, PwC reported "that the enhanced culture of controls is evident throughout the organization, and the Compliance and Controls Committee appears to be effective in achieving its overall objectives."

For 2018, the Committee will continue to focus on promoting a culture that focuses on compliance and controls, through targeted education and training for employees, while monitoring evolving compliance requirements on the Company.

Employee and Leadership Development

NEIL is committed to the development of its employees and their leaders. During 2017, NEIL Staff participated in an Employee Day that was focused on diversity and inclusion training to promote a culture of inclusion at the Company. The topics, most of which were given by outside presenters, included how having Purpose, Passion and Pride allow people to overcome challenges and make a difference in how they live, an exercise about working effectively across differences to debunk myths and stereotypes and how to engage in dialogue, and a presentation about generational diversity and insights into how members of different generations think and act in the work place.

NEIL continues to work toward creating a Leadership Academy for the Company. Penn State University's Smeal School of Business is partnering with NEIL to develop a set of curricula to enhance leaders' ability to direct and manage the organization at a time when Members are requiring new and more highly sophisticated products and services. The Academy is still in its formative stage, although a few introductory programs have already taken place.

Surry Nuclear Power Plant

Committees

IAC Executive Committee

Mark Blair
(Chair)
Director, Risk Management
Ameren Services Co.

Lance Burnette
Insurance Manager
Duke Energy Corporation

Deborah Gaffney
Director, Risk Management
Southern Company

Lisa Hough, JD, CPCU, ARM
Manager, Risk Management
Omaha Public Power District

Michael Mee, CPCU, ARM, AU
(Vice-Chair)
Director, Insurance
Exelon Corporation

John Mellette, ARM, CSP
Manager, Corporate Insurance
SCANA Corporation

Robert Miller, P.E.
Director, Hazard Insurance
Xcel Energy, Inc.

Roger Olson
Manager, Corporate Insurance
DTE Energy

Ronald Rispoli, CRM
Director Risk and Insurance
Entergy Services, Inc.

Cristina San Sebastián Hecht
Risk Manager
Iberdrola, S.A.

Greg Umscheid
Executive Director,
Risk Management
Westar Energy

EAC Executive Committee

Brian Adami
Capital Projects Manager
Energy Northwest

Mark Baker
Supervisor, Reliability Engineering
Pacific Gas and Electric Company

Mark Boone, Sr., P.E.
(Chair)
Manager, Corporate Risk Engineering
Dominion Energy, Inc.

Philip Bradley
Supervisor, Corporate Nuclear
Engineering Regulatory Programs
Dominion Energy, Inc.

Undrenia Burnside
Supplier Program Manager
Institute of Nuclear Power Operations

Ali Fakhar
Corporate Engineering Services Manager
PSEG Power, LLC

John Henderson
Fire Protection / NEIL Program Manager
Comanche Peak
Power Company, LLC

Alan Holder
Lead Nuclear Engineering
Technologist
Duke Energy Corporation

John Lattner
(Vice-Chair)
Fire Protection Principal Engineer,
Engineering Programs
Southern Nuclear Operating Company

Mark Manoleras
Engineering Director
FirstEnergy Nuclear Operating Company

Raul Orive Moreno
Head of Support Engineering Department
and Assets Management
Iberdrola Generación
Nuclear, S.A.

Anne Robinson-Givens
Senior Manager, Asset
Management Programs
Tennessee Valley Authority

Robert Tomala
Generation NEIL & ANI
Program Manager
Exelon Generation
Company, LLC

Legal Advisory Committee

Marc Beyens
General Counsel Energy Belux
Electrabel S.A.

Rudolph Bumgardner IV, Esq.
(Chair)
Managing General Counsel
Dominion Energy, Inc.

Alvis Bynum Jr.
Deputy General Counsel
SCANA Corporation

Jon Christinidis
Regulatory & Nuclear Attorney
DTE Energy

Tamra Domeyer
Associate Legal Counsel
Exelon Generation
Company, LLC

Peter Glass Esq.
Assistant General Counsel
Xcel Energy, Inc.

Michael Green Esq.
Associate General Counsel, Nuclear &
Environmental
Pinnacle West Capital Corporation

Robert (Budd) Haemer
Senior Nuclear Counsel
AEP Texas Central Company

Kimberly Harshaw
General Counsel
STP Nuclear Operating Company

David Jenkins Esq.
Senior Corporate Counsel
FirstEnergy Corp.

Tracey Mitchell LeRoy
Associate General Counsel
Duke Energy Corporation

Robin Reilly
Senior Counsel
Pacific Gas and Electric Company

Jeffrey Weikert Esq.
(Vice-Chair)
Senior Corporate Counsel
El Paso Electric Company

Board of Directors

Nicholas K. Akins
Chairman, President & CEO
American Electric
Power Company, Inc.

Jeffrey B. Archie
Senior Vice President and
Chief Nuclear Officer
South Carolina Electric &
Gas Company

W. Paul Bowers
Chairman, President & CEO
Georgia Power Company

Donald E. Brandt
Chairman of the Board,
President & CEO
Pinnacle West Capital Corporation

Patricia K. Collawn
Chairman, President & CEO
PNM Resources, Inc.

Teresa (Terri) J. Dalenta
Independent Director

Dhiaa M. Jamil
Executive VP & Chief
Operating Officer
Duke Energy

Roger Olson
Manager, Corporate Insurance
DTE Energy

William D. Johnson
President & CEO
Tennessee Valley Authority

Paul D. Koonce
Executive VP and President & CEO -
Power Generation Group
Dominion Energy, Inc.

Jeanne L. Mockard
Independent Director

Robert P. Restrepo, Jr.
Independent Director

Bruce A. Sassi
President and Chief
Executive Officer
Nuclear Electric
Insurance Limited

William A. Von Hoene, Jr.
Sr. Executive VP &
Chief Strategy Officer
Exelon Corporation

*Greg Abel of Berkshire Hathaway Energy retired from the Board effective March 9, 2018.

Principal Officers

Mike Kolodner Anna Arena Ben Mays

Ken Manne Greg Blackburn Bruce Sassi Greg Wilks

William A. Von Hoene, Jr.
(Chair)
Sr. Executive VP &
Chief Strategy Officer
Exelon Corporation

W. Paul Bowers
(Vice-Chair)
Chairman, President & CEO
Georgia Power Company

Bruce A. Sassi
President and Chief
Executive Officer

Anna Arena
Sr. Vice President and CFO

Gregory J. Blackburn
VP and Chief Investment Officer

Michael W. Kolodner, CPCU
Vice President, Underwriting

Kenneth C. Manne Esq.
SVP Corporate Services,
General Counsel & Secretary

R. Benjamin (Ben) Mays
Vice President, Loss Control

Gregory G. Wilks
Vice President, Claims

Members

As of March 31, 2018

AEP Texas Central Company
Alabama Power Company
Arizona Public Service Company
Bonneville Power Administration
City of Anaheim
City of Riverside
Comanche Peak Power Company LLC
Connecticut Yankee Atomic Power Company
Consolidated Edison Company of New York, Inc.
Consumers Energy Company
Department of Water and Power of the City of Los Angeles
Dominion Energy Kewaunee, Inc.
Dominion Nuclear Connecticut, Inc.
DTE Electric Company
Duke Energy Carolinas, LLC
Duke Energy Florida, LLC
Duke Energy Progress, LLC
EDF Inc.
EDP España, S.A.
El Paso Electric Company
Electrabel S.A.
Endesa Generación, S.A.
Entergy Arkansas, Inc.
Entergy Louisiana, LLC
Entergy Mississippi, Inc.
Entergy New Orleans, LLC
Entergy Nuclear Generation Company
Entergy Nuclear Indian Point 2, LLC
Entergy Nuclear Indian Point 3, LLC
Entergy Nuclear Palisades, LLC
Entergy Nuclear Vermont Yankee, LLC
Exelon Generation Company, LLC
FirstEnergy Nuclear Generation, LLC
Florida Power & Light Company
Gas Natural Fenosa Generación, S.L.U.
Georgia Power Company
Iberdrola Generación Nuclear, S.A.
Indiana Michigan Power Company
Interstate Power and Light Company
Jersey Central Power and Light Company
Kansas City Power & Light Company
Kansas Electric Power Cooperative, Inc.
Kansas Gas and Electric Company
Long Island Lighting Company
Madison Gas & Electric Company
Metropolitan Edison Company
MidAmerican Energy Company
Minergy LLC
Municipal Electric Authority of Georgia
New York State Electric & Gas Corporation
NextEra Energy Capital Holdings, Inc.
Niagara Mohawk Power Corporation
Northern States Power Minnesota
NRG Energy, Inc.
Nuclenor, S.A.
Pacific Gas and Electric Company
Pennsylvania Electric Company
PSEG Power LLC
Public Service Company of New Hampshire
Public Service Company of New Mexico
Rochester Gas & Electric Corporation
Sacramento Municipal Utility District
Salt River Project Agricultural Improvement and Power District
San Diego Gas & Electric Company
South Carolina Electric & Gas Company
Southern California Edison Company
Southern California Public Power Authority
STP Nuclear Operating Company
Susquehanna Nuclear, LLC
System Energy Resources, Inc.
Tennessee Valley Authority
The Connecticut Light and Power Company
Union Electric Company
Virginia Electric & Power Company
Western Massachusetts Electric Company
Wisconsin Power & Light Company
Wisconsin Public Service Corporation

Member Representatives

As of March 31, 2018

Girish Balachandran
Public Utilities General Manager
City of Riverside

Traci Bender
Vice President &
Chief Financial Officer
Nebraska Public Power District

Keith Bone
Director, Insurance & Claims
Duke Energy Carolinas, LLC

Stephen Cairns
Vice President, Internal Audit
& Chief Risk Officer
Pacific Gas and Electric Company

Samuel Cannady
Chief Risk Manager
Bonneville Power Administration

Lisa Eden
VP Treasury & Risk Mamangement
Public Service Company of
New Mexico

Thomas Falcone
Vice President of Finance and Chief
Financial Officer
Long Island Lighting Company

L. Javier Fernandez
Vice President, Financial Services
& Chief Financial Officer
Omaha Public Power District

James Fuller
President & CEO
MEAG Power

Deborah Gaffney
Director, Risk Management
Southern Company

Joy Gao
Director of Risk Management
Sempra Energy

Adolfo García Nombela
Head of Finance & Insurance
Endesa, S.A.

George Harrison
Executive Vice President & CFO
STP Nuclear Operating Company

Stephan Haynes
Vice President, Strategic Initiatives
& Chief Risk Officer
American Electric Power Company, Inc.

David Heller
VP, Enterprise Risk Management
Edison International

Michael Higley
Sr. Manager Risk Management
Great Plains Energy, Inc.

Michael Hill
General Counsel
EDF, Inc.

Natalie Hocken
Senior Vice President and
General Counsel
Berkshire Hathaway Energy Company

Robert Hoglund
Senior Vice President, Finance
Consolidated Edison, Inc.

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VP Enterprise Risk Management
Dominion Energy, Inc.

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PSEG Power, LLC

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Alliant Energy Corporation

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VP, Corporate Risk & CRO
FirstEnergy Corp.

Philip Lembo
EVP and Chief Financial Officer
Eversource Energy

Francisco Lopez Garcia
Chief Nuclear Officer
Iberdrola Generación,
S.A. Unipersonal

Miguel Mateos Valles
Generation Director
EDP España, S.A.

Steve McNeal
Vice President & Treasurer
Entergy Services, Inc.

Michael Mee, CPCU, ARM, AU
Director, Insurance
Exelon Generation Company, LLC

John Mellette ARM, CSP
Manager, Corporate Insurance
SCANA Corporation

Robert Miller, P.E.
Director, Hazard Insurance
Xcel Energy, Inc.

Kris Moldovan
Vice President and
Assistant Treasurer
Vistra Energy Corp.

Greg Murray
Director, Legal Services
Madison Gas & Electric Company

Mano Nazar
President and Chief Nuclear Officer,
Nuclear Division
NextEra Energy Resources, LLC

Lee Nickloy
Vice President & Treasurer
Arizona Public Service Company

Carla Pizzella
Vice President, Chief Financial Officer
& Treasurer
Connecticut Yankee Atomic
Power Company

Mark Rolling
Vice President & Treasurer
DTE Energy

Thierry Saegeman
Chief Nuclear Officer
Belux Nuclear Belgium Engie

Javier Sagrera Vilaseca
Jefe Riesgo Operacional Asegurable
Gas Natural SDG, S.A.

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Vice President and Treasurer
WEC Energy Group

H. Wayne Soza
Vice President, Compliance
& Chief Risk Officer
El Paso Electric Company

Bruce Steinke
Senior Vice President Finance and
Chief Accounting Officer
Ameren

Jill Taggart
Director of Forecasting and Planning
Kansas Electric Power Cooperative, Inc.

José Ramón Torralbo
President & General Manager
Nuclenor, S.A.

Greg Umscheid
Executive Director, Risk Management
Westar Energy

Jim Von Suskill
Vice President, Nuclear Oversight
NRG Energy, Inc.

Dustin Wertheimer
Division CFO,
Member Rep & IAC Rep
Talen Energy Corporation

Tammy Wilson
VP & Treasurer
Tennessee Valley Authority

mutually
committed
insurance

Consolidated Financial Statements

Contents

Independent Auditors' Report

To the Policyholders of
Nuclear Electric Insurance Limited
Hamilton, Bermuda

We have audited the accompanying consolidated financial statements of Nuclear Electric Insurance Limited and Subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the related consolidated statements of operations and comprehensive earnings, cash flows, and changes in policyholders' surplus for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Nuclear Electric Insurance Limited and Subsidiaries as of December 31, 2017 and 2016, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the disclosure of short-duration contracts included in Note 9 to the consolidated financial statements be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Deloitte & Touche LLP

March 22, 2018

Nuclear Electric Insurance Limited And Subsidiaries
Consolidated Balance Sheets

PERIODS ENDED DECEMBER 31, 2017 AND 2016 *(In thousands of U.S. Dollars)*

Assets	**2017**	**2016**
Investments:		
Fixed maturities, at fair value	$ 1,924,093	$1,718,365
Equity securities, at fair value	2,527,221	2,295,124
Short-term investments	257,720	198,209
Alternative investments	723,985	742,169
Total investments	**5,433,019**	**4,953,867**
Cash	16,984	18,243
Accrued interest and distributions receivable	16,047	14,177
Amounts due from policyholders	16,879	17,520
Reinsurance receivable	2,290	2,934
Income taxes receivable	23,705	—
Foreign currency forward contracts receivable, at fair value	56,205	56,924
Prepaid reinsurance premiums	17,103	18,884
Put spread collar contracts collateral	48,470	—
Prepaid expenses and other assets	9,574	16,705
Total assets	**5,640,276**	**5,099,254**

Liabilities And Policyholders' Surplus		
Liabilities:		
Unpaid losses and loss adjustment expenses	$ 300,016	$ 316,027
Unearned premiums	97,607	93,741
Ceded premiums payable	3,699	12,611
Income taxes payable	—	58,110
Amounts due to policyholders	39,776	24,891
Deferred income taxes, net	218,068	276,008
Distribution payable to policyholders	285,000	100,000
Foreign currency forward contracts payable, at fair value	56,342	56,650
Put spread collar contracts and futures, at fair value	48,407	—
Accounts payable, accrued expenses and other liabilities	56,160	62,562
Total liabilities	**1,105,075**	**1,000,600**
Policyholders' surplus:		
Reserve fund	$ 250	$ 250
Accumulated other comprehensive earnings	618,534	414,323
Surplus	3,916,417	3,684,081
Total policyholders' surplus	**4,535,201**	**4,098,654**
Total liabilities and policyholders' surplus	**$5,640,276**	**$5,099,254**

See notes to Consolidated Financial Statements.

Nuclear Electric Insurance Limited And Subsidiaries
Consolidated Statements Of Operations And Comprehensive Earnings

PERIODS ENDED DECEMBER 31, 2017 AND 2016 *(In thousands of U.S. Dollars)*

	2017	**2016**
Direct premiums earned	$227,119	$253,068
Reinsurance premiums assumed	61,814	61,558
Reinsurance premiums ceded, net	(57,980)	(55,585)
Net Premiums Earned	**230,953**	**259,041**
Losses and loss adjustment expenses	52,241	55,963
Administrative expenses	39,499	36,045
Commissions expense	2,690	2,063
Total underwriting expenses	**94,430**	**94,071**
Earnings From Underwriting Operations	**136,523**	**164,970**
Investment income, net	53,932	91,718
Gains on alternative investments, net	58,860	26,729
Net realized investment gains	334,117	279,761
Investment expenses	(12,707)	(10,765)
Earnings Before Distribution To Policyholders And Income Taxes	**570,725**	**552,413**
Distribution to policyholders	285,000	100,000
Earnings Before Income Taxes	**285,725**	**452,413**
Income tax (benefit) expense	(56,296)	152,699
Net Earnings	**342,021**	**299,714**
Other Comprehensive Earnings (Loss), Net Of Income Taxes		
Foreign currency translation adjustment		
(net of income taxes of $22,354 in 2017 and ($2,462) in 2016)	41,515	(4,572)
Net unrealized gain (loss) arising during the period		
(net of income taxes of $55,298 in 2017 and $20,290 in 2016)	102,697	37,682
Less: Reclassification adjustments for net investment gains included in net earnings		
(net of income taxes of $26,754 in 2017 and $50,517 in 2016)	49,686	93,817
Total net unrealized gains (losses) arising during the period	53,011	(56,135)
Other Comprehensive Earnings (Loss), Net Of Income Taxes	94,526	(60,707)
Comprehensive Earnings	**$436,547**	**$239,007**

See notes to Consolidated Financial Statements.

Nuclear Electric Insurance Limited And Subsidiaries
Consolidated Statements Of Cash Flows

PERIODS ENDED DECEMBER 31, 2017 AND 2016 *(In thousands of U.S. Dollars)*

Operating Activities	**2017**	**2016**
Net earnings	$ 342,021	$ 299,714
Adjustments to reconcile net earnings (loss) to net cash used in operating activities:		
Realized investment gains, including impairments, net	(334,117)	(279,761)
Amortization/accretion of premiums and discounts on investments	7,430	7,532
Losses from put spread collar contracts and futures	48,142	—
Gains on alternative investments, net of expenses	(60,721)	(26,898)
Alternative investments return on capital distributions	27,898	32,884
Deferred income taxes, net	(111,890)	60,877
Distribution to policyholders - declared	285,000	100,000
Payment of policyholders' distributions	(100,000)	(100,000)
Changes in assets and liabilities which provided (used) cash:		
Accrued interest and distributions receivable	(543)	(1,108)
Amounts due from policyholders	641	1,322
Reinsurance receivable	644	(710)
Income taxes receivable and payable	(81,815)	58,260
Foreign currency forward contracts receivable	719	260
Prepaid reinsurance	1,781	8,235
Prepaid expenses and other assets	241	4,396
Unpaid losses and loss adjustment expenses	(22,218)	(17,280)
Unearned premiums	3,866	(13,447)
Ceded premiums payable	(8,912)	(738)
Amounts due to policyholders	14,885	(100)
Foreign currency forward contracts payable	(308)	(442)
Accounts payable and accrued expenses	3,899	(2,311)
Total adjustments	**(325,378)**	**(169,029)**
Net cash provided by operating activities	**16,643**	**130,685**
Investing Activities		
Proceeds from sales and distributions of investments:		
Fixed maturities	1,117,692	893,047
Equity securities	932,239	790,681
Alternative investments	115,855	102,893
Short-term investments	948,465	722,161
Maturities of investments - fixed maturities	179,730	206,595
Maturities of investments - short-term	43,725	8,703
Purchases of investments:		
Fixed maturities	(1,497,237)	(1,179,904)
Equity securities	(689,687)	(873,273)
Alternative investments	(68,501)	(57,353)
Short-term investments	(1,100,183)	(756,647)
Net cash used in investing activities	**(17,902)**	**(143,097)**
NET INCREASE IN CASH	**(1,259)**	**(12,412)**
Cash		
Beginning of year	18,243	30,655
End of year	**$16,984**	**$18,243**
Supplemental Disclosure Of Cash Flow Information		
Cash paid during the year for interest	$ (87)	$ (72)
Net cash paid during the year for income tax	$ (137,132)	$ (33,637)

See notes to Consolidated Financial Statements.

Nuclear Electric Insurance Limited And Subsidiaries
Consolidated Statements Of Changes In Policyholders' Surplus

PERIODS ENDED DECEMBER 31, 2017 AND 2016 *(In thousands of U.S. Dollars)*

			Accumulated Other Comprehensive Earnings (Loss)		
	Total	Surplus	Foreign Currency Translation	Unrealized Gains (Losses) and Benefit Obligations	Reserve Fund
Balance, January 1, 2016	**$3,859,647**	**$3,384,367**	**$(49,703)**	**$524,733**	**$250**
Comprehensive Earnings:					
Net earnings	299,714	299,714	—	—	—
Other comprehensive earnings (loss), (net of income taxes)	(60,707)	—	(4,572)	(56,135)	—
Comprehensive Earnings:	239,007	299,714	(4,572)	(56,135)	—
Balance, December 31, 2016	**$ 4,098,654**	**$3,684,081**	**$(54,275)**	**$468,598**	**$250**
Comprehensive Earnings:					
Net earnings	342,021	342,021	—	—	—
Other comprehensive earnings, (net of income taxes)	94,526	—	41,515	53,011	—
Effect of TCJA tax rate reduction *(Note 2)*	—	(109,685)	(2,748)	112,433	—
Comprehensive Earnings:	436,547	232,336	38,767	165,444	—
Balance, December 31, 2017	**$4,535,201**	**$3,916,417**	**$(15,508)**	**$634,042**	**$250**

See notes to Consolidated Financial Statements.

01. Nature Of Business

Nuclear Electric Insurance Limited (the "Company" or "NEIL") is incorporated under the laws of Bermuda, has its place of business in Delaware, and is a registered insurer under the Bermuda Insurance Act of 1978 and the Captive Insurance Companies Act of Delaware. The Company traces its roots to 1973 and the formation of Nuclear Mutual Limited ("NML") in Bermuda, as a mutual insurance company. NML and the Company, which was formed as a mutual insurance company in 1980, were formed by groups of U.S. electric utilities as alternatives to the commercial nuclear insurance market. NML was merged into the Company in 1997. Each utility and energy company that is a Member of the Company today has, or had at the time of becoming a Member, an insurable interest in a commercial nuclear power generation plant. NEIL organized a subsidiary named NEIL Specialty Insurance Company ("NSIC"), a Delaware Corporation, which is licensed as an industrial insured captive insurer. NSIC was incorporated on March 14, 2014 and began issuing policies on April 1, 2014.

The Company insures nuclear plants and their generating units, owned by electric utilities and independent power producers (the "Members"). The Company currently provides property insurance coverage to all of the commercial nuclear power generating facilities in the United States, Belgium and Spain for: 1) the costs associated with certain long-term interruptions of electric generation, due to accidental physical damage under the Accidental Outage programs; 2) decontamination expenses incurred at such sites arising from accidental nuclear contamination under the Primary and Excess programs; 3) other risks of direct physical loss at such sites, including certain premature decommissioning costs under the Primary and Excess programs, and 4) risks associated with the construction of new nuclear power plants through the Company's Builders' Risk program.

The Company also provides certain non-nuclear property and liability coverage to existing Members. This coverage is provided in conformity with conventional property and liability programs, following the terms and conditions underwritten by the program's lead underwriter(s). This business is written directly and as assumed reinsurance.

The Accidental Outage program pays a maximum weekly indemnity limit of $4.5 million resulting from an accidental outage at any one unit. The Company's loss exposure on any single incident at a unit is limited to 100% of the weekly indemnity for 52 weeks and 80% for the subsequent 110 weeks, up to a maximum of $490 million for any one occurrence. Optional deductibles of 8, 12, 20, or 26 weeks are available as part of this program.

The Primary Property program provides property insurance coverage (nuclear and non-nuclear perils) of $1.5 billion per occurrence. The Excess program provides property insurance coverage (nuclear peril only) of up to $1.25 billion in excess of $1.5 billion per occurrence. The Excess program features an optional blanket limit structure that allows for multiple nuclear sites to share limits at reduced rates. NSIC's captive coverage provides property insurance coverage (non-nuclear peril only) of up to $750 million in excess of $1.5 billion per occurrence.

The Builders' Risk program provides property insurance coverage of up to $2.75 billion with a sublimit for delay in start-up, natural hazards, and other perils. Policy periods vary as a result of the complexity and uniqueness of each project.

02. Significant Accounting Policies

Principles of Consolidation & Basis of Presentation

The Consolidated Financial Statements include the Company, its wholly owned subsidiaries, NEIL Services, Inc., Delaware Risk Management, Inc., Nuclear Electric (Cayman) Limited, NEIL Overseas dac f/k/a Overseas NEIL dac ("NEILO") and NSIC, and variable interest entities ("VIE") for which the Company is the primary beneficiary. All intercompany transactions have been eliminated in consolidation. The financial statements have been prepared in conformity with the accounting principles generally accepted in the United States of America ("US GAAP").

Premiums Written/Unearned Premiums

Net premiums written reflect the premiums the Company retains after purchasing reinsurance protection, less premium credits of $47 million and $23 million at December 31, 2017 and 2016, respectively. Net premiums earned reflect the portion of net premiums written that were recorded as revenues for the period as the exposure period expires, net of discounts and premium credits. Premiums written and reinsurance premiums assumed and ceded are reflected in earnings on a pro-rata basis over the term of each policy, or in the case of Builders' Risk, written premiums and reinsurance premiums ceded are recognized over the contract period in proportion to the amount of insurance protection provided. Unearned premiums represent the portion of premiums written, which are applicable to the unexpired terms of policies in force. Unearned premiums are recorded at cost, which approximates fair value. The Company records advance payments of reinsurance premiums as Prepaid reinsurance premiums. Premiums ceded under reinsurance agreements are recorded as Ceded premiums payable, to the extent there is no right to offset with prepaid reinsurance amounts.

Policyholders' Distribution

The Company insures nuclear plants and their generating units owned by the Members, primarily in the United States. The Company provides catastrophic insurance covering low frequency, high severity events and as such requires significant resources to satisfy potential catastrophic claims. To the extent that the full amount of these resources is not required during a given year, distributions to Members may be utilized as a method of sharing favorable financial results. Distributions are determined on an annual basis at the discretion of the Board of Directors, based on the authority approved by the Membership, and allocated to the Members in accordance with NEIL's Bye-Laws. If, for any reason, a Member ceases to maintain an insurance relationship with NEIL, the Member will lose its Membership status. The Member would remain eligible, for the ensuing five-year period only, to participate in future distributions. The Member would not be eligible to participate in any liquidation distributions, even if such distributions occur within the eligibility period. The Board of Directors declared a $285 million and $100 million distribution to Policyholders on December 15, 2017 and December 11, 2016, payable to the Members by March 31, 2018 and March 31, 2017, respectively.

Investments

The Company applies the Fair Value Option for Financial Assets and Liabilities (embodied in Accounting Standards Codification ("ASC") Topic 825, *Financial Instruments*), which allows companies to make an election on an individual instrument basis to report financial assets and liabilities at fair value. The election must be made at the inception of a transaction and may not be reversed. The Company has made the election for fixed maturity and equity securities purchased on or after January 1, 2010. These securities are included in Fixed maturities and Equity securities at fair value on the Consolidated Balance Sheets, and changes in the fair value of the securities are reported in Net realized investment gains (losses) on the Statements of Operations and Comprehensive Earnings (Loss). Dividends on equity securities are recorded when declared, and interest on fixed income securities is recorded on an accrual basis. The Company believes that making the election for its portfolio of investment securities is consistent with its operating principle to manage investments for total return.

Both dividends and interest are reported in Investment income, net on the Statements of Operations and Comprehensive Earnings (Loss). Amortization and accretion of premiums and discounts on marketable securities are included in investment income, net. Realized investment gains and losses on sales of equity and fixed maturity securities are computed using the specific identification cost method and are reported in Net realized investment gains (losses) on the Statements of Operations and Comprehensive Earnings (Loss).

The Company has categorized its investments in marketable fixed maturity and equity securities as available for sale. Excluding those securities accounted for under the Fair Value Option, the Company has reported the portfolio at fair value with unrealized gains and losses, which include unrealized gains and losses due to foreign currency translation, net of tax, as a component of Accumulated Other Comprehensive Earnings (Loss), which is a separate component of Policyholders' Surplus.

Excluding those securities accounted for under the Fair Value Option, declines in the fair value of equity securities are evaluated by management for other-than-temporary impairment ("OTTI") as defined in ASC Topic 320, *Debt and Equity Securities*. For equity securities, the Company's intent and ability to retain the investment for a period of time sufficient for the anticipated recovery is not absolute, as the Company has granted the authority to its investment managers and does not direct the managers' decision making. As a result, the Company considers any equity security in a loss position to be other-than-temporarily impaired. New information and the passage of time can change this determination.

Excluding those securities accounted for under the Fair Value Option, declines in the fair value of fixed maturity securities are evaluated by management for OTTI. When an OTTI related to a fixed maturity security has occurred, if the Company intends to either sell the security or determines that it is more likely than not that it will be required to sell a security before recovery of the entire amortized cost basis or maturity of the security, the Company recognizes the entire impairment in net earnings. If the Company does not intend to sell the fixed maturity security and it determines that it is more likely than not that it will not be required to sell the security, and it does not expect to recover the entire amortized cost basis, the impairment is bifurcated into the amount attributed to the credit loss, which is recognized in net earnings, and all other causes, which are recognized in Other Comprehensive Earnings (Loss).

Short-term investments consist of income generating funds with maturities of less than one year in duration held within various externally managed portfolios. The income generated in these funds is included in Investment income, net. These investments are primarily recorded at cost, which approximates fair value.

The Company purchases a variety of derivative financial instruments for risk management and investment purposes. The Company recognizes all derivatives as either assets or liabilities at fair value as prescribed in ASC Topic 815, *Derivatives and Hedging*. Gains and losses on derivatives are recorded in Investment income, net on the Statements of Operations and Comprehensive Earnings (Loss).

Alternative investments consist of investments in real estate, private equity and hedge funds that are either carried on the equity method of accounting as prescribed in ASC Topic 323, *Investments, Equity Method and Joint Ventures*, or in limited instances are consolidated variable interest entities ("VIEs"), as prescribed in ASC Topic 810, *Consolidation*. The Company follows ASC Topic 970, *Real Estate*, General, in accounting for its real estate investments. For investments in private equity and hedge funds, the Company follows accounting as prescribed in ASC Topic 323, *Investments, Equity Method and Joint Ventures*. The Company records the activity of its private equity and real estate investments generally on a one-quarter lag or less and hedge fund investments generally on a one-month lag or less, based upon the availability of fund financial information. At December 31, the Company's alternative investments are generally reported at the Company's proportional interest per the reporting lag on a fair value basis, consistent with the underlying fund's method of accounting, and adjusted for contributions and distributions through December 31.

The Company also considers fund transactions during the last three months of the year that may indicate a significant change in fair value has occurred. Due to the inherent uncertainty of valuation, the values determined by management may differ significantly from values that would have been used had a ready market for these investments existed, and the differences could be material.

Variable Interest Entities

In the normal course of investment activities, the Company enters into relationships with entities that could be considered VIEs. For most VIEs, the entity that has both the ability to direct the most significant activities of the VIE and the obligation to absorb losses or receive benefits that could be significant to the VIE, is considered the primary beneficiary. The Company's policy is to consolidate those VIEs for which it is deemed to be the primary beneficiary. Currently, the Company consolidates one investment vehicle as a voting interest entity, which is not material to the Company's consolidated financial statements. The accounting guidance for the determination of when an entity is a VIE and when to consolidate a VIE is complex and requires significant management judgment. The determination of the VIEs primary beneficiary requires an evaluation of the contractual and implied rights and obligations associated with each party's relationship with, or involvement in, the entity, an estimate of the entity's expected losses, and expected residual returns and the allocation of such estimates to each party involved in the entity. The Company generally uses a qualitative approach to determine whether it is the primary beneficiary.

The Company's VIEs consist of certain interests in hedge funds, real estate funds and private equity limited partnerships. The Company enters into the VIEs purely to diversify its investment portfolio. The VIEs are primarily financed by capital contributions from equity holders. The Company's involvement in financing the VIE is limited to its equity interest. The Company performed an economic analysis of the rights and obligations of its assets, liabilities, equity, and other contracts to identify its variable interests. On a subsequent basis, and at least annually, the Company has also performed an assessment of reconsideration events. The Company is a limited partner in its partnership investments and, as such, does not participate in the management of the entities. The limited partner agreement and the partnership entity's most current financial statements were also reviewed to determine if the investment entity required subordinate financial support to permit it to finance its activities; whether there is an obligation to absorb expected losses or receive expected residual returns; and whether there are guaranteed returns on its interest or its returns are capped.

The following tables are the carrying amount, unfunded commitment, and maximum exposure to loss relating to VIEs for which the Company is not the primary beneficiary and which have not been consolidated:

(In thousands of U.S. Dollars)

DECEMBER 31, 2017	Carrying Value	Remaining Commitment	Maximum Exposure to Loss[1]
Hedge Funds	$ 52,651	$ —	$ 52,651
Real Estate Partnerships	117,666	9,155	126,821
Private Equity Partnerships	50,401	8,667	59,068
	$220,718	**$17,822**	**$238,540**

1) The maximum exposure to loss is equal to the carrying amount plus any unfunded commitments of the Company.

(In thousands of U.S. Dollars)

DECEMBER 31, 2016	Carrying Value	Remaining Commitment	Maximum Exposure to Loss[1]
Hedge Funds	$ 59,828	$ —	$ 59,828
Real Estate Partnerships	125,655	20,267	145,922
Private Equity Partnerships	61,179	8,825	70,004
	$246,662	**$29,092**	**$275,754**

1) The maximum exposure to loss is equal to the carrying amount plus any unfunded commitments of the Company.

Unpaid Losses and Loss Adjustment Expenses

As an insurance and reinsurance company, the Company is required, by applicable laws and regulations, and by US GAAP, contained in ASC Topic 944, "*Financial Services-Insurance,*" to establish loss and loss expense reserves for the estimated unpaid portion of the ultimate liability for losses and loss expenses, under the terms of policies and agreements with its insured and reinsured Members. The estimate of liabilities includes provision for claims that have been reported but unpaid at the balance sheet date and for future obligations from claims that have been incurred but not reported ("IBNR") at the balance sheet date. The provision for unpaid losses and loss expenses is determined on the basis of management estimates based, where appropriate, on information from claims adjustors, independent consultants, and other evaluations, including estimates for IBNR. The process for establishing loss reserves can be complex and subject to considerable uncertainty, and requires the use of informed estimates and judgments based on circumstances known at the date of the accrual. The methods of making such estimates and establishing resulting liabilities are continually reviewed and updated, and any resultant adjustments are reflected in operations currently.

Contingencies

ASC Topic 450, *Contingencies*, defines a contingency as any material condition that involves a degree of uncertainty that will ultimately be resolved. Under US GAAP, the Company is required to establish reserves for contingencies when a loss is both probable and can be reasonably estimated. The Company determines the amount of reserves required for contingencies, if any, after carefully analyzing each issue using internal estimates, case level reviews by both inside and outside legal, technical, and claims experts, and other relevant information. In cases where the loss is not both probable and estimable, the Company has not established an accrual at this time. Appropriate disclosures are made in accordance with the requirements of ASC Topic 450. The required reserves may change due to new developments in information, or changes in approach to claim or loss resolution. Any such revision could result in future changes in estimates of losses or reinsurance recoverable, and would be reflected in the Company's financial statements in the period in which the estimates are changed.

Income Taxes

The Company accounts for income taxes under the asset and liability method as prescribed by ASC Topic 740, *Income Taxes*, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in earnings in the period that includes the enactment date.

The Company records net deferred tax assets to the extent it believes these assets will more likely than not be realized. In making such a determination, the Company considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies and recent financial operations. In the event the Company was to determine that it would be able to realize its deferred income tax assets in the future in excess of their net recorded amount, the Company would make an adjustment to the valuation allowance, which would reduce the provision for income taxes.

On December 22, 2017, the United States enacted the Tax Cuts and Jobs Act ("TCJA"), which made significant changes to U.S. federal income tax law. The Company expects that certain aspects of these changes will positively impact its future after-tax earnings primarily due to the lower federal statutory tax rate.

Beginning January 1, 2018, the Company's income will be taxed at a 21 percent federal corporate rate. The Company is required to recognize the effect of this rate change on its deferred tax assets and liabilities in the period the tax rate change is enacted. The Company's rate change resulted in a noncash decrease to the income tax provision (shown on its Consolidated Statements of Operations) with a corresponding reduction in the Company's deferred income tax liability (shown on its Consolidated Balance Sheets) for December 31, 2017.

The Company accounts for its uncertain tax positions in accordance with ASC Topic 740. ASC Topic 740 provides that a tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. Income tax positions must meet a more likely than not recognition threshold to be recognized. ASC Topic 740 also provides guidance on measurement, de-recognition, classification, interest and penalties, and disclosure. The Company would recognize interest and penalties (if any) related to unrecognized tax benefits within the income tax expense line in the accompanying Statements of Operations and Comprehensive Earnings (Loss). Accrued interest and penalties (if any) would be included within the related tax liability line in the Consolidated Balance Sheets. There are no material uncertain tax positions reflected in the Company's Consolidated Financial Statements as of December 31, 2017 and 2016.

Cash

Cash includes short-term securities with maturities of three months or less at the time of purchase, primarily deposits with banks, which are generally considered part of the Company's cash management activities rather than the Company's investing activities.

Recently Adopted Accounting Pronouncements

In February 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-02, *Income Statement-Reporting Comprehensive Income* (Topic 220), *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. The guidance is effective for fiscal year beginning after December 15, 2018 and interim periods within those fiscal years. Early adoption is permitted for reporting periods which financial statements have not yet been issued or made available for issuance. The ASU addresses the effect of TCJA on items in Accumulated Other Comprehensive Income ("AOCI"). Guidance requires the effect of the tax law and rate changes on deferred tax assets and liabilities be recognized in the year of the enactment and the change included in income from continuing operations as a tax benefit or expense, even if the deferred tax is related to items in AOCI. As a result of the guidance, AOCI items are reported at the historic tax rate ("stranded tax effect"). The ASU allows a one-time reclassification of the stranded tax effect from AOCI to Surplus. The amendment was early adopted and the effect of the TCJA's tax rate change was reclassified from AOCI to Surplus. AOCI was increased and Surplus was decreased by $109,685,000 on the Balance Sheet, respectively. The reclassification is also reflected on the Consolidated Statement of Change in Policyholders' Surplus.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows* (Topic 230), *Classification of Certain Cash receipts and Cash Payments*. The guidance is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019 with permissible early adoption. The purpose of this update is to provide guidance on the classification of certain cash receipts and payments in the statement of cash flows including, but not limited to: (i) debt prepayment or debt extinguishment costs; (ii) proceeds from the settlement of corporate-owned life insurance policies including bank-owned life insurance policies; (iii) distributions received from equity method investees; and (iv) separately identifiable cash flows and application of the predominance principle. The amendment was adopted retrospectively and the effect is a reclassification of $32,884,000 from Investing to Operating activities in the Consolidated Statement of Cash Flows. The reclassification related to the prior year was made for presentation in conformity to the application with the new standard. This amendment had no effect on the Balance Sheets or the Consolidated Statement of Operations and Comprehensive Earnings. This is illustrated in the Consolidated Statements of Cash Flows on page 4.

In October 2016, the FASB issued ASU 2016-17, *Interests Held through Related Parties that are under Common Control*. The amendments in this update are effective for fiscal years beginning after December 15, 2016, and for interim periods within fiscal years beginning after December 15, 2017. The update impacts an entity's consolidation analysis of its variable interest entities, particularly those that have related party relationships. The amendments reduce the extent to which related party arrangements cause an entity to be considered a primary beneficiary. A single decision maker is not required to consider indirect interests held through related parties that are under common control with the single decision maker to be the equivalent of direct interests in their entirety. Instead, a single decision maker is required to include those interests on a proportionate basis consistent with indirect interests held through other related parties. Based on the evaluation performed, the application resulted in no impact as the Company does not have any related entities with an indirect interest in VIEs. The assessment of VIEs for the adoption of this pronouncement was performed in conjunction with ASU 2015-02 (discussed below).

In May 2015, the FASB issued new guidance on short-duration insurance contracts ASU 2015-09, (Topic 944): *Disclosures about Short-Duration Contracts*). The amendments in this new guidance are effective for annual periods beginning after December 15, 2016, and interim periods within annual periods beginning after December 15, 2017. The guidance was applied retrospectively by providing comparative disclosures for each period presented, except for those requirements that apply only to the current period. The new guidance requires insurance entities to provide users of financial statements with more transparent information about initial claim estimates and subsequent adjustments to these estimates, including information on: (i) reconciling from the claim development table to the balance sheet liability, (ii) methodologies and judgments in estimating claims, and (iii) the timing, and frequency of claims. The application is further illustrated in Note 9 of the financial statements, Unpaid Losses and Loss Adjustment Expenses.

In February 2015, the FASB issued ASU 2015-02, *Amendments to the Consolidation Analysis* (Topic 810). The update amends the guidance applicable to consolidation models. The amendments in this update are effective for fiscal years beginning after December 15, 2016, and for interim periods within fiscal years beginning after December 15, 2017. The amendment requires an additional step to determine if the holders of equity of the limited partnerships have the power to direct the activities that significantly impact the partnership. The holders of equity "lack that power if neither 1.) nor 2.) exists: 1.) a simple majority or lower threshold of limited partners (including a single limited partner) with equity at risk is able to exercise substantive kick-out rights through voting interest over the general partner(s), 2.) limited partners with equity at risk are able to exercise substantive participating rights over the general partner(s)." The assessment of VIEs for this adoption resulted in no overall impact to the Company's consolidated financial statements. Additionally, the adoption did not result in consolidation of previously unconsolidated investment vehicles, nor in the deconsolidation of a previously consolidated investment vehicle.

New Accounting Pronouncements

In August 2017, the Financial Accounting Standards Board ("FASB") issued (Accounting Standards Update ("ASU") 2017-12, *Derivatives and Hedging* (Topic 815): *Targeted Improvements to Accounting for Hedging Activities*. The purpose of this update is to amend ASC 815 to "better align an entity's risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results." FASB believes this will improve transparency and simplify the application of hedge accounting. The guidance is effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early application is permitted. The Company is currently evaluating the potential impacts that this adoption could have on its Consolidated Financial Statements.

In March 2017, the Financial Accounting Standards Board ("FASB") issued (Accounting Standards Update ("ASU") 2017-07, *Compensation — Retirement Benefits* (Topic 715): *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. The purpose of this update is to amend ASC 715 related to the income statement presentation of the components of net periodic benefit costs for certain postretirement plans. The guidance is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early application is permitted at the beginning of an annual period for which financial statements have not been issued. The adoption of this update would not have a significant impact to the Consolidated Financial Statements as the program is immaterial.

In February 2017, the Financial Accounting Standards Board ("FASB") issued (Accounting Standards Update ("ASU") 2017-06, *Plan Accounting: Defined Benefit Pension Plans* (Topic 960), *Defined Contribution Pension Plans* (Topic 962), *Health and Welfare Benefit Plans* (Topic 965) *Employee Benefit Plan Master Trust Reporting a consensus of the FASB Emerging Issues Task Force*. The purpose of this update is to clarify presentation requirements for entities with interest in a master trust. The guidance is effective for fiscal years beginning after December 15, 2018. Early application is permitted and updates should be applied retrospectively. The Company is currently evaluating the potential impacts that this adoption could have on its Consolidated Financial Statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses* (Topic 326), *Measurement of Credit Losses on Financial Instruments*. The purpose of this update is to introduce a new approach to estimate credit losses on certain types of financial instruments based on expected losses. It also modifies the impairment model for available-for-sale debt securities and provided for a simplified accounting model for purchased financial assets with credit deterioration since their origination. The guidance is effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. Earlier application is permitted only for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company is currently evaluating the potential impacts that this new standard could have on its Consolidated Financial Statements.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The purpose of this update is to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The guidance is effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. The Company is currently evaluating the potential impacts that this new standard could have on its Consolidated Financial Statements.

In January 2016, the FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities* (Subtopic 825-10). This update revises an entity's accounting related to the classification and measurement of investments in equity securities (except those accounted for under the equity method of accounting or those that result in consolidation of the investee), changes the presentation of certain fair value changes relating to instrument specific credit risk for financial liabilities and amends certain disclosure requirements associated with the fair value of financial instruments. This update is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019 with early adoption permitted after December 15, 2017. The Company is currently evaluating the potential impacts that this new standard could have on its Consolidated Financial Statements.

03. Investments

The amortized cost, gross unrealized gains and losses and estimated fair value of available for sale securities, excluding those securities accounted for under the fair value option, at December 31, 2017 and 2016 are as follows:

(In thousands of U.S. Dollars)

DECEMBER 31, 2017	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized	Estimated Fair Value
Fixed Maturities:				
Foreign government obligations	$ 779	$ 332	$ —	$ 1,111
Obligations of state and political subdivisions	987	264	—	1,251
Corporate debt securities	7,438	1,725	(3)	9,160
Mortgage-backed securities	12,486	1,751	(176)	14,061
Other debt securities	407	40	—	447
	22,097	4,112	(179)	26,030
Equities	169,576	803,508	(2,844)	970,240
	$191,673	**$807,620**	**$(3,023)**	**$996,270**

(In thousands of U.S. Dollars)

DECEMBER 31, 2016	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized	Estimated Fair Value
Fixed Maturities:				
Foreign government obligations	$ 1,075	$ 393	$ —	$ 1,468
Obligations of state and political subdivisions	988	236	—	1,224
Corporate debt securities	14,370	2,294	(36)	16,628
Mortgage-backed securities	23,654	2,705	(203)	26,156
Other debt securities	407	56	—	463
	40,494	5,684	(239)	45,939
Equities	193,027	718,050	(5,815)	905,262
	$233,521	**$723,734**	**$(6,054)**	**$951,201**

The fixed maturity securities accounted for under the fair value option had an amortized cost of $1,892,041,000 and $1,682,474,000 and an estimated fair value of $1,898,063,000 and $1,672,426,000 at December 31, 2017 and 2016, respectively. The equity securities accounted for under the fair value option had a cost of $1,200,887,000 and $1,243,782,000 and an estimated fair value of $1,556,981,000 and $1,389,862,000 at December 31, 2017 and 2016, respectively.

The Company was required to hold $31,000,000 and $53,000,000 of equity securities in trust as collateral for a reinsurance agreement at December 31, 2017 and 2016, respectively.

Gross realized gains and losses for available for sale securities, including those securities accounted for under the fair value option during 2017 and 2016, respectively, were as follows:

(In thousands of U.S. Dollars)

	2017	2016
Realized gains	$256,309	$ 257,768
Realized loss	(79,391)	(104,864)
Net gain (loss) on fair value option securities	157,455	127,029
Impairments	(256)	(172)
	$334,117	**$ 279,761**

Components of investment income, net for the years ended December 31, 2017 and 2016 are as follows:

(In thousands of U.S. Dollars)

	2017	2016
Interest and dividends	$101,089	$ 94,908
Derivative gains (losses), net	(46,063)	3,248
Accretion and amortization	(7,430)	(7,532)
Other income	6,336	1,094
	$ 53,932	**$ 91,718**

The amortized cost and estimated fair value of fixed maturity securities by maturity date at December 31, 2017 are as follows:

(In thousands of U.S. Dollars)

	Cost or Amortized Cost	Estimated Fair Value
Due in one year or less	$ 165,901	$ 165,741
Due after one year through five years	1,007,315	1,006,645
Due after five years through ten years	283,390	286,276
Due after ten years	457,532	465,431
	$1,914,138	**$1,924,093**

The net change in unrealized investment gains (losses) arising during the period, including foreign currency translation adjustments and excluding the net change in benefit obligations and Loss Reserve foreign exchange of ($6,901,000) and $494,000 for the years ended December 31, 2017 and 2016, respectively, is as follows:

(In thousands of U.S. Dollars)

	2017	2016
Fixed maturities	$ 6,896	$ 1,629
Equity securities	149,145	(95,785)
Deferred income taxes	(54,614)	32,955
	$101,427	**$(61,201)**

The Company maintains specific restrictions on its investment portfolio based on policy guidelines as approved by the Board of Directors. These guidelines include restrictions with respect to diversification and credit quality. For equity and fixed maturity investments, exposure to a single issuer, with the exception of the U.S. Treasury and Government agencies may not exceed 1.5% of the fair value of the aggregate NEIL portfolio or 1.5% the weight of the entity in the Policy Benchmark. Asset-backed Securities, where the credit quality/rating is primarily based on specified collateral and not the issuer, are not subject to the 1.5% limit. The policy guidelines also require that no less than 90% of the fixed maturity portfolio must be rated investment grade by Fitch, Standard & Poor's or Moody's bond rating services. As of December 31, 2017, the Company's fixed maturity securities included U.S. Government obligations, Foreign Government obligations, Corporate Debt Securities, Mortgage-backed Securities and Other Debt Securities. Mortgage-backed Securities included Residential Mortgage-backed Securities ("RMBS"), Commercial Mortgage-backed Securities ("CMBS"), and Collateralized Mortgage Obligations ("CMOs"). Other debt securities included Federal Agency debt issues from the Federal National Mortgage Association ("FNMA"), Federal Home Loan Mortgage Corporation ("FHLMC") and Federal Home Loan Bank ("FHLB"). 99.0% and 97.4% of the Company's fixed maturity portfolio was rated as investment grade at December 31, 2017 and 2016, respectively.

Impairment Evaluation for Fixed Maturity Securities

Government Obligations

Government obligations include U.S. Treasury and agency obligations, Foreign Government obligations, and state and municipality subdivision obligations, which were in an unrealized loss position. These securities are evaluated for credit loss using a combination of quantitative and qualitative assessments of the likelihood of credit loss considering the credit ratings of the issuers and issuer specific information. The quantitative methodology is similar in approach to that described below for Corporate Debt Securities. All of the Company's holdings in this category are investment grade securities. There was no OTTI during the years ended December 31, 2017 and 2016.

Corporate Debt Securities

The Company determines its best estimate of projected cash flows and develops these estimates on a security by security basis using information based on market observable data, issuer specific information, and available cash flow information. The Company develops its default assumption by using credit rating data and average historical spreads obtained from observable indices.

The Company uses credit ratings as an indicator of the credit quality of fixed maturity issuers, the relative likelihood that the issue may default, and issuer specific current news and other information available in the public domain. The Company identifies the securities that are investment grade and the Company generally expects to recover the entire amortized cost basis of all securities that are investment grade. The Company generally considers any fixed maturity security with an Aaa to Baa rating (Moody's) and with an AAA to BBB rating (S&P) as investment grade. There was no OTTI during the years ended December 31, 2017 and 2016.

Mortgage-Backed and Asset-Backed Securities

For Mortgage-backed Securities, credit impairment is assessed using a similar approach to corporate debt securities. The Company identifies the securities that are investment grade and the Company generally expects to recover the entire amortized cost basis of all securities that are investment grade, in the absence of any issuer specific negative information. The securities that fall below investment grade are analyzed further to calculate the credit and non-credit loss components. The Company determines its best estimate of projected cash flows and develops these estimates on a security by security basis. OTTI on Mortgage-backed Securities was de minimis in 2017 and 2016.

Equities

As described in Note 2, declines in the fair value of equity securities are evaluated by management for OTTI. The Company's intent and ability to retain the investment for a period of time sufficient for the anticipated recovery is not absolute. The Company has granted the authority to its Investment Managers and does not direct the Managers' decision making. As a result, the Company considers any equity security in a loss position to be OTTI.

Other Investments

Within the Company's fixed maturity portfolio, the exposure to subprime and Alt-A Mortgage-backed Securities as of December 31, 2017 and 2016 is $2,001,000 and $3,261,000, respectively.

The Company participates in a securities lending program managed by Northern Trust. The Company receives a fee from Northern Trust for the lending of securities that is shown in the Investment income, net component of the Statements of Operations and Comprehensive Earnings (Loss). As a requirement of the lending program, the borrower of securities must pledge collateral in excess of 100% of the value of the loaned securities to Northern Trust. The loaned securities are reclassified to securities pledged to creditors. Cash received as collateral is invested in high-quality, short-term instruments and recorded in the Consolidated Balance Sheet as an investment at estimated fair value. Non-cash collateral is not recorded in the balance sheets, since "effective control" criteria are not met. A rate of interest termed the "rebate" is guaranteed to the securities borrower for the cash collateral and the Company earns a profit through the retention of any investment returns earned on the cash collateral in excess of the rebate guarantees. While the securities lending activities are fully collateralized, market risk arises from the possibility that a borrower of securities may be unable to return the securities if a sudden material change in the market occurs. There is minimal credit risk from the failure of counterparties to perform, since the Company receives collateral in excess of 100% of the value of the loaned securities, and losses stemming from the borrower's failure to return securities are fully indemnified by Northern Trust. There were securities with a market value of $0 on loan under the program at December 31, 2017 and 2016, as the Company actively works to close the securities lending program at the end of each year. Income earned for securities lending was $383,000 and $407,000 at December 31, 2017 and 2016, respectively.

04. Fair Value Measurements And Derivatives

The Company follows ASC Topic 820, *Fair Value Measurements*, for financial assets and financial liabilities measured at fair value. The Standard defines fair value, establishes a consistent framework for measuring fair value and expands disclosure requirements about fair value. The Standard also established a hierarchy that prioritizes the input used to measure fair value into three levels.

In accordance with ASC Topic 820, assets and liabilities recorded at fair value are categorized based upon a fair value hierarchy:

- Level 1 – inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- Level 2 – inputs utilize other than quoted prices included in Level 1 that are observable for similar assets, either directly or indirectly.
- Level 3 – inputs are unobservable for the asset, and include situations where there is little, if any, market activity for the asset.

The following table summarizes the Company's financial assets and financial liabilities measured at fair value at December 31, 2017:

FAIR VALUE MEASUREMENTS AT DECEMBER 31, 2017 *(In thousands of U.S. Dollars)*

	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Investments Valued at NAV[2]	Total Assets/ Liabilities Measured at Fair Value	Changes in Fair Values for the Year Ended December 31, 2017, for Items Measured at Fair Value Pursuant to Election of the Fair Value Option: Other net realized investment gains (losses)	Investment Income (Loss)
Assets:							
Fixed Maturities:							
U.S. government obligations	$ —	$ 412,945	$ —	$ —	$ 412,945	$ 2,626	$ (850)
Foreign government obligations	—	68,802	—	—	68,802	(1,630)	(778)
Obligations of state and political subdivisions	—	17,677	—	—	17,677	194	(70)
Corporate debt securities	—	1,091,096	—	—	1,091,096	6,516	(4,252)
Mortgage- and asset-backed securities	—	296,737	—	—	296,737	(88)	(1,747)
Other debt securities	—	36,836	—	—	36,836	47	(21)
Total debt securities	$ —	$ 1,924,093	$ —	$ —	$1,924,093	$ 7,665	$(7,718)
Equities	$ 2,470,848	$ —	$175	$ 56,198	$2,527,221	$149,819	$ 57
Short-term securities[1]	—	22,639	—	—	22,639	(29)	—
Alternative investments							
Hedge Funds	—	—	—	279,925	279,925	—	—
Real Estate	—	—	—	236,024	236,024	—	—
Private Equity	—	—	—	208,036	208,036	—	—
Foreign currency forward contracts	—	56,205	—	—	56,205	—	—
Total Assets	**$2,470,848**	**$2,002,937**	**$175**	**$780,183**	**$5,254,143**	**$157,455**	**$(7,661)**
Liabilities:							
Futures	$ 265	$ —	$ —	$ —	$ 265	$ —	$ —
Foreign currency forward contracts	—	56,342	—	—	56,342	—	—
Put spread collar contracts	—	48,142	—	—	48,142	—	—
Total Liabilities	**$ 265**	**$ 104,484**	**$ —**	**$ —**	**$ 104,749**	**$ —**	**$ —**

1) Short-term securities presented in the table above exclude short-term investments (e.g., time deposits, certain money market funds) of $235,081, which are not measured at fair value

2) Investments valued using Net Asset Value (NAV) as a practical expedient are listed in a separate column

The following table summarizes the Company's financial assets and financial liabilities measured at fair value at December 31, 2016:

FAIR VALUE MEASUREMENTS AT DECEMBER 31, 2016 *(In thousands of U.S. Dollars)*

	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Investments Valued at NAV[2]	Total Assets/ Liabilities Measured at Fair Value	Changes in Fair Values for the Year Ended December 31, 2016, for Items Measured at Fair Value Pursuant to Election of the Fair Value Option: Other net realized investment gains (losses)	Investment Income (Loss)
Assets:							
Fixed Maturities:							
U.S. government obligations	$ —	$ 360,259	$ —	$ —	$ 360,259	$ (4,034)	$ (889)
Foreign government obligations	—	83,567	—	—	83,567	(1,070)	(876)
Obligations of state and political subdivisions	—	8,115	—	—	8,115	(38)	(18)
Corporate debt securities	1,202	971,167	—	—	972,369	8,953	(3,663)
Mortgage- and asset-backed securities	—	262,368	—	—	262,368	533	(2,580)
Other debt securities	—	31,687	—	—	31,687	(64)	(27)
Total debt securities	$ 1,202	$1,717,163	$ —	$ —	$1,718,365	$ 4,280	$(8,053)
Equities	$2,258,386	$ 1,130	$875	$ 34,733	$2,295,124	$122,728	$ —
Short-term securities[1]	—	21,867	—	—	21,867	21	(86)
Alternative investments							
Hedge Funds	—	—	—	279,410	279,410	—	—
Real Estate	—	—	—	247,256	247,256	—	—
Private Equity	—	—	—	215,503	215,503	—	—
Foreign currency forward contracts	—	56,924	—	—	56,924	—	—
Futures	147	—	—	—	147	—	—
Total Assets	**$2,259,735**	**$1,797,084**	**$875**	**$776,902**	**$4,777,672**	**$127,029**	**$(8,139)**
Liabilities:							
Foreign currency forward contracts	$ —	$ 56,650	$ —	$ —	$ 56,650	$ —	$ —
Total Liabilities	**$ —**	**$ 56,650**	**$ —**	**$ —**	**$ 56,650**	**$ —**	**$ —**

1) Short-term securities presented in the table above exclude short-term investments (e.g., time deposits, certain money market funds) of $176,342, which are not measured at fair value

2) Investments valued using Net Asset Value (NAV) as a practical expedient are listed in a separate column

For marketable securities, the Company utilizes the services of its primary custodian to assist in the pricing of securities for the purposes of assessing fair value. The custodian collects various price types from its pricing providers. Price types include close of business, last traded, and mid-price. The prices are typically on a close of business basis; preferred price types are based on market convention. In most markets, this translates to a "last trade" price. In the event an asset does not receive its preferred price type; the custodian will consider the next highest price type received that exists in the price type hierarchy.

As is the case with all of the Company's held assets, the custodian strives to independently price as many assets as possible. For listed securities, their pricing providers deliver exchange closing prices each day. For those securities that trade over the counter, their pricing providers deliver evaluations (good faith opinion as to what a buyer in the marketplace would pay for a security – typically in an institutional round lot – in a current sale), based on broker quotes. Depending on the type of asset, those quotes or models may include inputs as supplied by the custodian for the individual issues.

Securities classified as Level 1 consist of actively traded, exchange listed U.S. and international equities, "Futures" and "Corporate Debt Securities." Valuation is based on unadjusted quoted prices for identical assets in active markets.

Securities classified as Level 2 consist of "Fixed Maturity Securities," "Short-Term Securities," "Foreign Currency Forward Contracts," and "Put Spread Collar Contracts." The market approach is used to price the Company's U.S. and foreign government obligations, and the primary inputs include bid and offer quotes from market makers or inter-dealer brokers. The Company's "Obligation of State and Political Subdivision" securities are priced using the matrix market approach where market information is used to derive a price based on similar securities. The primary inputs are spread benchmark curves, prepayment speeds, or spreads and quotes. The Company's "Corporate Debt Securities" are generally priced using the market approach and the primary inputs include U.S. Treasury curve, benchmark issues and spreads above benchmarks from market sources. "Mortgage- and Asset-backed Securities" and "Other Debt Securities" prices are derived using a combination of matrix market approach and discounted cash flow income approach. The primary inputs include discount rates obtained from benchmark yield curves and discount margins, dealer quotes, spreads and prepayment speeds from market participants and benchmark quotes from dealers. The "Short-Term Securities" consist of U.S. government and corporate debt securities. The "Foreign Currency Forward Contracts" are priced by the FX forward rate. Discounts and premiums are taken from various sources to calculate the FX forward rate, which are added directly to the spot rate.

Securities classified as Level 3 consist of "Equities." The change in fair value of Level 3 assets is immaterial to the Consolidated Financial Statements.

The valuation of the hedge funds, real estate funds and private equity funds are based on the Company's proportionate interest in the underlying funds' net asset value, which approximates fair value. Private real estate funds are not subject to redemption, and it is estimated that the investments will be liquidated in approximately one to seven years, up to ten years with extensions. The investments in hedge funds and open-end real estate funds are redeemable at quarter end or annually with up to a 95-day notice. The investment in the private equity funds are not subject to redemption and typically returned through distributions. It is estimated that the investments will be liquidated in approximately five to ten years, up to 15 years extensions.

If the inputs used to measure the financial instrument fall within different levels of the hierarchy, the categorization is based on the lowest level that is significant to the fair value measurement of the instrument. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and consideration of factors specific to the asset.

Both observable and unobservable inputs may be used to determine the fair value of positions that the Company has classified within the Level 3 category. As a result, the unrealized gains and losses for invested assets within the Level 3 category presented in the tables may include changes in fair value that are attributed to both observable (e.g., changes in market interest rates) and unobservable (e.g., cash flow projections) inputs.

Certain short-term investments do not qualify as securities and are recognized at amortized cost in the Consolidated Balance Sheet. For these instruments, the Company believes that there is minimal risk of material changes in interest rates or credit of the issuer such that estimated fair value approximates carrying value. The Company monitors its short-term investments to ensure there is sufficient demand and issuer credit quality has been maintained. Short-term investments that meet the definition of a security are recognized at estimated fair value in the Consolidated Balance Sheets in the same manner described above for similar instruments that are classified within captions of other major investment classes.

Derivative Instruments

The Company uses derivatives in the normal course of business, primarily in an attempt to reduce its exposure to market risks (principally interest rate risk, equity stock price risk, and foreign currency risk) stemming from various assets and liabilities or as a temporary balancing tool to gain target market exposure. The Company's principle objective under such risk strategies is to achieve the desired reduction in economic risk. The Company does not apply hedge accounting treatment for any of its derivative instruments.

Gains and losses on derivatives are recorded in Investment income, net as follows:

Gains (losses) (In thousands of U.S. Dollars)

	2017	2016
Futures	$ 650	$ 6,564
Foreign exchange forwards	1,429	776
Put spread collar	(48,142)	—
Other	—	(4,092)
	$(46,063)	**$ 3,248**

Foreign Exchange Forwards

The Company uses foreign currency forward contracts to limit the impact of currency fluctuations and exchange rate exposure of future sales and purchases of foreign securities. Foreign currency forward contracts are not used to leverage portfolios or for any speculative purpose.

Futures

The Company uses futures contracts to manage equity and U.S. Treasury security exposures pursuant to the Company's Investment Policy. Futures contracts are not used to leverage portfolios or for any speculative purpose. Total notional exposure to U.S. Treasury securities and equity indices through futures contracts totaled $31,037,300 and $38,096,000 at December 31, 2017 and 2016, respectively. The Company recorded a payable and receivable of approximately $265,000 and $147,000 at December 31, 2017 and 2016, respectively.

Other

The Company entered into a costless put spread collar contract, consisting of put options and call options, in 2017 to provide stability to the Company's surplus by hedging against significant equity market declines. The Company uses this strategy to minimize its exposure to volatility in the equities markets. These options contracts are not linked to specific assets that appear on the Consolidated Balance Sheet or to a forecasted transaction.

The Company uses deferred settlement mortgages as a cost-efficient way to invest in Mortgage-backed securities. In this approach, the investor accepts delayed settlement on the purchase of Mortgage-backed securities in return for a modest reduction in the price paid for those Mortgage-backed securities. The price differential is directly related to the fact that the investor does not enjoy the higher yield typically offered by Mortgage-backed securities relative to the interest rate earned on cash equivalents held for the period between normal settlement and the agreed upon deferred settlement. At December 31, 2017 and 2016, these securities had an amortized cost of $35,702,000 and $39,005,000, respectively. At December 31, 2017 and 2016, these securities had a fair value of $35,718,000 and $39,058,000, respectively. The net of these amounts are included in fixed maturities on the Company's Consolidated Balance Sheets. Gains and losses on deferred settlement mortgages were immaterial to the financial statements during the years ended December 31, 2017 and 2016.

05. Line Of Credit

The Company has a $125 million and $50 million uncommitted line of credit with its investment custodian at December 31, 2017 and December 31, 2016, respectively, during the periods of March 1 through May 31 and from June 1 through February 28. Under the arrangement, the investment custodian has agreed to review the Company's Consolidated Financial Statements on a regular basis so that the Company may borrow funds for general corporate purposes or place letters of credit without the normal lengthy credit review process. The uncommitted nature of the line provides the investment custodian the flexibility to deny use of this line if it is so inclined. In 2017 and 2016, the Company borrowed and repaid $60 million and $70 million, respectively, against the Line of Credit.

06. Reserve Fund, Escrow Deposit, And Trust Assets

The Company is required to maintain assets on deposit with various regulatory authorities to support insurance and reinsurance operations. These requirements are generally promulgated in the statutory regulations of the individual jurisdictions. The assets on deposit are available to settle insurance and reinsurance liabilities. Under the Incorporating Act of Bermuda, the Company must, at all times, maintain a reserve fund. At December 31, 2017 and 2016, the reserve fund was $250,000. In addition, the Company is required to maintain a $750,000 escrow deposit (restricted cash) in connection with being licensed in the State of Delaware. In lieu of the escrow deposit, a $750,000 letter of credit has been established to comply with the State of Delaware licensing requirement. Distributions to policyholders may not be declared out of either of these sources. The Company established a trust held by its custodian, Northern Trust, with certain investments, in the event of default of its reinsurance obligation with Energy Insurance Mutual Limited (EIM). The Company is required to maintain sufficient funds to cover 102% of reserves for claims including claim losses, loss expenses, and unearned premium under its reinsurance agreement with EIM. At December 31, 2017 and 2016, assets held in trust that are required to satisfy claim liabilities with EIM were approximately $31 million and $53 million, respectively, and are included in equity securities, at fair value on the balance sheets.

07. Retrospective Premium Adjustment

Upon the sole discretion of the Board of Directors, the Company can call upon the Members for payment of proportionate retrospective premium adjustments, in whole or in part, to cover losses and the related costs incurred by the Company with respect to a policy year to which they have subscribed.

Each Member insured is contingently liable to the Company for retrospective premium adjustments based on losses occurring in each year. Under the Primary, Accidental Outage, Excess programs, and inclusive of Builders' Risk, the maximum adjustment is equal to ten times annualized policy premiums.

The liability of the Members for the retrospective premium adjustment for any policy year ceases six years after the end of that policy year, unless prior demand has been made. If a Member terminates its relationship with NEIL, it will still retain its obligation to respond to a retrospective premium call by the Company pursuant to the terms of any nuclear insurance policy that Member had with NEIL or NEILO prior to termination.

The maximum potential retrospective premiums, which could be demanded by the Company as of December 31, from the Members of each program, with respect to the current policy year, comprise:

(In thousands of U.S. Dollars)

	2017	2016
Primary	$1,837,746	$1,882,806
Accidental Outage	538,390	592,371
Excess	221,663	231,136
	$2,597,799	**$2,706,313**

The Company requires its Members to maintain an investment grade credit rating or to take certain specified actions to ensure collectability of their retrospective premiums. All non-investment grade and unrated Members are required to provide security for their retrospective premium obligations in the form of one of the following mechanisms: Financial Guarantee, Letter of Credit, Deposit Premium, or Retrospective Premium Insurance. In 2017 and 2016, the retrospective premiums for non-investment grade Members represented 11.84% and 11.05% of the total, respectively. Management believes that it is unlikely that any retrospective premium adjustments will be required for policies whose terms have expired. No retrospective premium adjustments were required for the years ended December 31, 2017 and 2016.

08. Reinsurance

In the normal course of business, the Company seeks to reduce its exposure to losses that may arise by reinsuring certain levels of risk with other insurance enterprises or reinsurers. Such reinsurance does not relieve the Company from its obligations to policyholders.

In 2017, reinsurance coverage for the Primary, Excess, and Excess Non-Nuclear Programs consisted of $1.25 billion attaching excess of $750 million (for both nuclear and non-nuclear losses), Additional reinsurance coverage exists for the Excess Non-Nuclear Program, consisting of a $125 million layer attaching excess of $2.125 billion.

In 2016, reinsurance coverage for the Primary and Excess programs consisted of $1.25 billion attaching excess of $550 million (nuclear losses), and $750 million attaching excess of $750 million (non-nuclear losses). Additional reinsurance coverage existed for the Excess Non-Nuclear Program, consisting of a quota-share participation, $625 million part of $750 million, attaching excess of $1.5 billion.

Coverage for Builders' Risk programs consists of reinsurance participation at various attachment points, with or without the nuclear exposure.

The Company assumed reinsurance from non-affiliated entities for up to approximately $200,000,000 per occurrence at December 31, 2017 and 2016. The risks are primarily property damage and third-party liability for facilities involved in the nuclear industry as well as risks that are similar to the Company's direct business. Assumed premiums written in connection with these agreements in 2017 and 2016 were $43,285,000 and $42,544,000, respectively. Assumed premiums earned in connection with these agreements were $43,556,000 in 2017 and $41,093,000, in 2016.

The Company assumed reinsurance for the conventional property programs of its Members. Such assumed reinsurance was written on a quota share basis and the maximum limit was approximately $300,000,000 per occurrence. Premiums written in connection with this agreement in 2017 and 2016 were $18,166,000 and $19,788,000, respectively. Premiums earned in connection with this agreement were $19,164,000 in 2017 and $20,465,000 in 2016.

The effects of reinsurance on premiums written as of December 31, 2017 and 2016 are as follows:

(In thousands of U.S. Dollars)

	2017	2016
Direct	$240,573	$246,913
Assumed	60,286	62,332
Ceded	(56,200)	(47,329)
Net	**$244,659**	**$261,916**

09. Unpaid Losses And Loss Adjustment Expenses

(In thousands of U.S. Dollars)

	2017	2016
Gross Balance at January 1	$316,027	$334,829
Less: reinsurance recoverables	2,934	2,224
Net Balance at January 1	313,093	332,605
Incurred related to:		
Current year	176,973	123,908
Prior years	(124,732)	(67,945)
Total incurred	**52,241**	**55,963**
Paid related to:		
Current year	(263)	(25)
Prior years	(72,940)	(73,770)
Total paid	(73,203)	(73,795)
Effects of foreign exchange rates	(5,595)	(1,680)
Net Balance at December 31	$297,726	$313,093
Plus: reinsurance recoverables	2,290	2,934
Gross Balance at December 31	**$300,016**	**$316,027**

The loss and loss adjustment expenses above include losses on both direct insured and assumed reinsurance business. Based on the Company's current loss reserve position, no material losses were ceded to reinsurers during the 2017 and 2016 calendar years, with respect to any claims for which coverage and reserve determinations have been made. Loss and loss adjustment expenses for the current year were $176,973,000 as compared with $123,908,000 in 2016. For the years ended December 31, 2017 and 2016, claims and claim adjustment expenses incurred included favorable development of $124,732,000 and $67,945,000, respectively. The favorable prior year development experienced in 2017 and 2016 was the result of settlements of large claim liabilities that were less than was reserved in the prior year and a re-estimation of IBNR on prior year claims after receiving additional information. Loss payments were $73,203,000 and $73,795,000 for 2017 and 2016, respectively.

The following information is presented by significant product lines of business. The lines are aggregated by Member Nuclear, Member Conventional, and Non-Member.

When a Member Nuclear claim is reported, the claim is assigned to NEIL Services for investigation and adjustment. The Company may engage an outside adjuster to assist in the analysis of the claim. In certain instances involving complex technical issues, outside experts may be retained to help evaluate the extent and value of the loss. Once a claim has been evaluated and believed to be a covered loss, a specific loss reserve based on the best information currently available is booked for the likely loss to be incurred. As new information becomes available or payments are made on a claim, the case reserve is adjusted to reflect the revised estimate of the ultimate amount to be paid out. Estimates and assumptions pertaining to individual claims are based on complex and subjective judgments and subject to change at any time as new information becomes available.

For claims involving the Member Conventional and Non-Member insurance programs, NEIL establishes reserves based on the loss amount determined by the lead insurer and NEIL's participation percentage on the policy.

In addition to case reserves, IBNR reserves are established to provide for claims which have not been reported to the Company as of the reporting date as well as potential adverse development on known case reserves. In general, IBNR reserve estimates are derived through a number of analytical techniques. Actuarial data is analyzed by line of business, coverage and accident year. Qualitative factors are also considered in determining IBNR reserves and include such factors as changes in policy forms and underwriting changes. Reserves are reviewed biannually and any indicated adjustments are made. While the Company has used its best judgment and the most current information available in recording the reserves, there is significant uncertainty in estimation of the ultimate claims.

Due to the inherent uncertainties in establishing both case and IBNR reserves, ultimate loss experience may prove better or worse than indicated by the combined claim reserves. Adjustments to claim reserves are reflected in the period recognized and could increase or decrease earnings for the period.

The following tables present incurred and paid claims development as of December 31, 2017, net of reinsurance, as well as cumulative claim frequency and the total IBNR liabilities plus expected development on reported claims included within the net incurred claims amounts. The information about incurred and paid claims development for the years ended December 31, 2008 to 2016, is presented as supplementary information and is unaudited. For all significant lines, the number of claims presented below equals the number of occurrences reported to the Company. The number of claims reported during a given year corresponds to the number of claims records opened during the year. Frequency information is maintained on a cumulative basis by line of business.

Member Nuclear
Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance

AS OF DECEMBER 31, 2017

(In thousands of U.S. Dollars)

Accident Year:	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	IBNR Reserves	Cumulative Number of Reported Claims
2008	395,945	105,589	(4,142)	(4,697)	28,878	(1,458)	142	(312)	—	—	—	9
2009	—	150,960	200,245	46,648	474,104	(5,818)	(50)	—	—	—	—	11
2010	—	—	25,526	(9,328)	4,541	(1,420)	(196)	(378)	(210)	(155)	—	7
2011	—	—	—	118,792	15,436	(22,589)	(3,842)	4,203	(8,563)	(433)	—	11
2012	—	—	—	—	68,828	(20,499)	198,411	206,590	(10,897)	(5,544)	—	7
2013	—	—	—	—	—	168,399	(41,915)	(9,991)	(5,909)	739	111	10
2014	—	—	—	—	—	—	109,810	(41,568)	(2,173)	(8,653)	375	7
2015	—	—	—	—	—	—	—	51,113	(13,463)	(8,834)	1,942	8
2016	—	—	—	—	—	—	—	—	80,126	(30,478)	7,239	7
2017	—	—	—	—	—	—	—	—	—	137,924	46,862	5
Total										**$ 84,566**		

Member Nuclear
Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance

(In thousands of U.S. Dollars)

Accident Year:	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
2008	21,376	315,423	95,356	504	4,178	80,527	—	—	—	—
2009	—	2	189,139	130,931	15,554	530,462	—	—	—	—
2010	—	—	20	3,429	13,467	1,465	—	—	—	—
2011	—	—	—	44	70,052	31,125	581	329	791	81
2012	—	—	—	—	26	1,813	19,651	401,651	10,884	2,863
2013	—	—	—	—	—	17,460	66,543	10,193	15,838	216
2014	—	—	—	—	—	—	100	23,211	17,817	20,161
2015	—	—	—	—	—	—	—	70	6,903	12,508
2016	—	—	—	—	—	—	—	—	1	16,051
2017	—	—	—	—	—	—	—	—	—	46
										$ 51,926

All outstanding liabilities relating to prior years, net of reinsurance	**147,948**
Liabilities for claims and claim adjustment expenses, net of reinsurance	**$180,588**

Member Conventional
Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance

AS OF DECEMBER 31, 2017

(In thousands of U.S. Dollars)

Accident Year:	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	IBNR Reserves	Cumulative Number of Reported Claims
2008	48,772	(1,854)	(1,421)	117	249	(1,125)	423	(718)	1	(421)	—	37
2009	—	20,121	(6,507)	(2,603)	(287)	(314)	(46)	(6)	(4)	681	—	30
2010	—	—	14,555	(2,670)	(2,824)	(1,409)	(284)	(27)	(42)	(11)	—	30
2011	—	—	—	44,993	2,885	12,261	(1,553)	79	525	(459)	—	42
2012	—	—	—	—	53,009	12,002	8,754	583	(8,950)	(4,270)	448	37
2013	—	—	—	—	—	14,663	(3,946)	(3,240)	(1,131)	(705)	129	15
2014	—	—	—	—	—	—	11,890	(3,752)	(4,067)	(906)	350	19
2015	—	—	—	—	—	—	—	14,399	(8,964)	(2,536)	1,482	17
2016	—	—	—	—	—	—	—	—	15,115	(1,113)	3,797	37
2017	—	—	—	—	—	—	—	—	—	14,471	9,016	24
Total										**$ 4,730**		

Member Conventional
Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance

(In thousands of U.S. Dollars)

Accident Year:	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
2008	9,124	21,358	3,537	7,593	1,464	792	134	20	1	—
2009	—	5,645	1,441	802	721	1,746	—	—	—	681
2010	—	—	82	1,351	1,526	4,204	84	41	—	—
2011	—	—	—	1,239	20,148	19,776	10,049	5,265	2,255	—
2012	—	—	—	—	16	20,170	9,807	25,065	2,928	1,099
2013	—	—	—	—	—	3,004	1,066	877	11	524
2014	—	—	—	—	—	—	660	1,457	475	208
2015	—	—	—	—	—	—	—	206	540	129
2016	—	—	—	—	—	—	—	—	17	3,748
2017	—	—	—	—	—	—	—	—	—	213
										$ 6,602

All outstanding liabilities relating to prior years, net of reinsurance	**30,955**
Liabilities for claims and claim adjustment expenses, net of reinsurance	**$29,083**

Non-Member
Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance

AS OF DECEMBER 31, 2017

(In thousands of U.S. Dollars)

Accident Year:	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	IBNR Reserves	Cumulative Number of Reported Claims
2008	139,248	(14,973)	(14,688)	10,422	(1,745)	5,153	(2,418)	535	4,143	(9,674)	1,290	5
2009	—	8,801	(1,390)	(1,579)	(777)	(1,338)	(693)	(205)	(2,557)	(14)	37	2
2010	—	—	9,671	(1,073)	(874)	(714)	2,042	(691)	(535)	(4,132)	632	3
2011	—	—	—	6,896	(710)	4,838	1,651	(1,279)	(1,711)	(2,304)	3,044	7
2012	—	—	—	—	7,063	8,532	3,542	1,424	(2,251)	(1,128)	4,757	18
2013	—	—	—	—	—	12,401	2,171	13,901	(263)	(6,519)	4,515	22
2014	—	—	—	—	—	—	15,078	5,652	(4,028)	(7,989)	5,596	22
2015	—	—	—	—	—	—	—	31,348	332	(20,206)	7,456	41
2016	—	—	—	—	—	—	—	—	31,440	(9,666)	11,970	55
2017	—	—	—	—	—	—	—	—	—	24,579	21,303	46
Total										**$ (37,054)**		

Non-Member
Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance

(In thousands of U.S. Dollars)

Accident Year:	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
2008	62,147	12,251	1,907	7,641	1,736	4,017	9,496	1,221	8,122	2,499
2009	—	—	—	7	—	199	5	—	—	—
2010	—	—	—	2,933	—	—	—	—	—	—
2011	—	—	—	—	—	1,580	496	995	64	—
2012	—	—	—	—	—	250	219	2,727	3,368	1,180
2013	—	—	—	—	—	—	1,078	2,348	2,684	6,617
2014	—	—	—	—	—	—	—	1,418	325	1
2015	—	—	—	—	—	—	—	—	753	1,623
2016	—	—	—	—	—	—	—	—	19	2,750
2017	—	—	—	—	—	—	—	—	—	4
										$ 14,676
All outstanding liabilities relating to prior years, net of reinsurance										**139,785**
Liabilities for claims and claim adjustment expenses, net of reinsurance										**$ 88,055**

The reconciliation of the net incurred and paid claims development tables to the liability for loss and loss adjustment expenses in the consolidated balance sheets is as follows:

	December 31, 2017
Net outstanding liabilities	
Member Nuclear	180,588
Member Conventional	29,083
Non-Member	88,055
Liabilities for unpaid claims and claim adjustment expenses, net of reinsurance	297,726
Reinsurance recoverable on unpaid claims	
Member Nuclear	2,290
Member Conventional	—
Non-Member	—
Total reinsurance recoverable on unpaid claims	2,290
Total gross liability for unpaid claims and claim adjustment expenses	**$300,016**

The following is supplementary information to the consolidated financial statements about average historical claims duration as of December 31, 2017.

Average Annual Percentage Payout of Incurred Claims by Age, Net of Reinsurance

Years:	1	2	3	4	5	6	7	8	9	10
Member Nuclear	2.3%	36.0%	27.9%	18.7%	8.1%	2.1%	0.0%	0.0%	0.0%	0.0%
Member Conventional	17.4%	28.6%	15.1%	18.3%	5.4%	1.0%	0.0%	0.0%	0.8%	0.0%
Non-Member	0.0%	15.2%	4.3%	3.9%	18.0%	1.2%	10.2%	0.0%	0.5%	0.0%

The claims discussed below have been settled or reserved accordingly in the Company's financial statements.

In August 2014, a Member filed Property Damage and Accidental Outage claims related to an event, which resulted in significant damage to the turbine generator of one unit at its four-unit site. The unit was in normal operation when the oil level in the lube oil reservoir for the turbine-generator began to decrease rapidly. A Low-Level alarm was received, followed moments later by a Low-Low Level alarm, which resulted in a turbine trip and a reactor scram. Oil continued to drain from the lube oil reservoir resulting in the turbine-generator coasting down without lubrication. Investigation revealed that a normally locked drain valve at the bottom of the lube oil reservoir had been opened allowing the oil to drain to a remote holding tank. The lock on the drain valve had been removed, and the handle on the valve had been loosened and repositioned to make it appear that the valve was still closed.

At the time of the loss, the Member maintained Property insurance through the Company to a maximum of $2.75 billion ($1.5 billion Non-Nuclear limit of liability), with a $5 million deductible. The Member also maintained a separate Accidental Outage policy with the Company whereby, after a 20-week deductible period, the Member is entitled to weekly payments of $3.5 million per week, for the first 52 weeks following the deductible period. After the initial 52 weeks of indemnity, the policy pays $2.8 million per week for up to an additional 110 weeks to a total policy limit of $490.0 million ($327.6 million Non-Nuclear Limit of Liability). Repairs were completed and the unit returned to operation several days before expiration of the Accidental Outage deductible period. The final payment was made in November 2017. Total paid under Property damage claim was $42.5 million.

In March 2013, a Member notified the Company of a potential claim resulting from an incident that occurred while replacing a main generator stator. During a scheduled refueling outage in which the generator stator was being moved out of the turbine building for replacement with a refurbished spare, the stator, weighing approximately 500 tons, was being moved using a specially designed lifting apparatus. A failure of the lifting rig equipment resulted in the stator being dropped from the turbine deck to ground level in the rail bay, a distance of approximately 35 feet. The falling stator and lifting equipment caused significant damage to equipment in the turbine building and structural damage to the building itself.

At the time of the loss, the Member maintained Property insurance through the Company to a maximum of $1.6 billion, with a $2.5 million deductible. The policy contains a $50 million Course of Construction sublimit, which the Company views as the limit of its exposure to this claim. The Company has paid a total of $50 million and has notified the Member that it considers the claim to be paid in full based on the Course of Construction Sublimit. The Member disagrees that the sublimit should apply and there are differences of opinion regarding other coverage for certain aspects of this claim. At the request of the Member, the parties are engaged in a binding arbitration process to resolve the dispute.

10. Income Taxes

Bermuda presently imposes no income, withholding or capital gains taxes, and the Company is exempted until March 2035 from any such taxes pursuant to the Bermuda Exempted Undertakings Tax Protection Act 1966, Amendment Act 1973. The Company made an election pursuant to Internal Revenue Code Section 953(d) to be taxed as a U.S. domestic corporation.

The expense (benefit) for U.S. federal income tax is comprised of the following:

(In thousands of U.S. Dollars)

	2017	2016
Current	$ 55,424	$ 91,895
Deferred	(111,728)	60,715
Foreign	8	89
	$(56,296)	**$152,699**

The components of the net deferred tax liability as of December 31, 2017 and 2016 are as follows:

(In thousands of U.S. Dollars)

	2017	2016
Unearned premium reserve	$ 3,275	$ 5,079
Loss reserve discount	4,412	6,269
Alternative investments	10,265	—
Investment impairments	8,629	18,833
Deferred expenses	7,128	10,605
NEILO operating loss and other, net	801	2,472
Total deferred tax assets	**34,510**	**43,258**
Deferred acquisition costs	(210)	(406)
Alternative investments	(6,539)	(18,618)
Bond amortization	(800)	(1,647)
Unrealized investment gains/losses	(164,924)	(220,259)
Gain/losses on fair value option securities	(80,113)	(78,336)
Gain/losses on fair value option securities	8	—
Total deferred tax liabilities	**(252,578)**	**(319,266)**
Net deferred tax liability	**$(218,068)**	**$(276,008)**

The enactment of TCJA required the Company to recognize the effect of this rate change on its deferred tax assets and liabilities. Tax year-end 2016 reflects an accumulative 2016 deferred liability at a 35% deferred tax rate, while year-end 2017 reflects an accumulated deferred liability at the new enacted rate of 21%. Due to the nature of the remeasured amount, certain components are considered provisional. The Company has determined any provisional items included in the adjustment are immaterial to the Consolidated Financial Statements.

There was no valuation allowance recorded against the deferred tax assets at December 31, 2017 and 2016, as the Company believes it is more likely than not that the deferred tax assets would be realized.

A roll forward of the income tax receivable (payable) for the year ended December 31, 2017 and 2016 are as follows:

(In thousands of U.S. Dollars)

	2017	2016
Current tax (payable) receivable, January 1	$ (58,110)	$ 150
Current tax expense	(55,317)	(91,895)
Estimated payments	130,624	33,689
Other	6,508	(54)
Income taxes receivable (payable)	**$ 23,705**	**$(58,110)**

The provision for income taxes was determined by applying the 35% U.S. statutory federal tax rate to pre-tax net income (loss) adjusted as follows:

(In thousands of U.S. Dollars)

	2017	2016
Earnings (loss) before income taxes	$ 285,725	$ 452,413
Dividends received deduction	(18,671)	(19,026)
Other, net	7,081	7,099
Tax-basis earnings (losses)	**274,135**	**440,486**
Tax rate	**35%**	**35%**
	$ 95,947	**$154,170**
Foreign tax credits	$ (3,859)	$ (3,605)
Deferred federal tax expense - TCJA effect	(146,292)	—
Other, net	(2,092)	2,134
Income tax (benefit) expense	**$ (56,296)**	**$152,699**

The Company determined that all tax positions have been accounted for within these Consolidated Financial Statements, and that all tax positions are more likely than not to be sustained in the event the Company was audited by the federal, state, and international tax authorities, and therefore, the Company does not have any unrecognized tax benefits as of December 31, 2017 and 2016.

The Company is subject to taxation in the U.S. and various states and foreign jurisdictions. The Internal Revenue Service ("IRS") audit for the 2005 through 2009 tax years has been finalized and closed. The results of this examination had no material effect on the Company's financial condition, results of operations, or cash flows. IRS statutes have expired for years 2006 and prior. The 2010 through 2016 tax years remain open.

11. Commitments And Contingencies

As of December 31, 2017, the Company has committed to 74 private equity limited partnerships in the amount of $591,651,000. The unfunded portion of these commitments as of December 31, 2017 is $214,467,000 and is payable over the next three years. The Company has committed to 13 real estate partnerships in the amount of $355,811,000. The unfunded portion of these commitments as of December 31, 2017 is $45,261,000 payable over the next two years.

The Company leases office space under an operating lease, which expires September 2028. Future non-cancellable minimum rental commitments under the lease are as follows:

(In thousands of U.S. Dollars)

YEAR	
2018	1,308
2019	1,300
2020	1,227
2021	1,252
2022	1,277
Years thereafter	7,722
Total	**$14,086**

The Company is subject to certain legal proceedings and claims that arise in the normal course of business. In the opinion of management, the ultimate outcome of those actions will not have a material impact on the Company's Consolidated Financial Statements.

12. Statutory Accounting Information

Policyholders' Surplus and Earnings calculated in accordance with statutory accounting practices prescribed or permitted by the Insurance Department of the State of Delaware, differs from US GAAP in the reporting of investments, unsecured reinsurance recoverable amounts, fixed assets, deferred taxes, and certain other items. These differences include, but are not limited to, the investments in bonds, which the Company holds as available for sale and carries at amortized cost for statutory purposes, rather than at fair value; investments in common stocks, which are valued as prescribed by the Securities Valuation Office ("SVO") of the National Association of Insurance Commissioners ("the NAIC"); unsecured reinsurance amounts recoverable from unauthorized and certain authorized reinsurers, which are excluded from net assets by a direct charge to unassigned surplus; certain assets designated as non-admitted, which are excluded from the statutory statements of assets, liabilities, capital, and surplus by direct charge to unassigned surplus; and changes in deferred tax balances, which are recognized as a direct benefit or charge to unassigned surplus.

Differences in statutory Policyholders' Surplus from that shown on the Consolidated Balance Sheets at December 31, 2017 and 2016 are as follows:

(In thousands of U.S. Dollars)

	2017	2016
Statutory Policyholders' Surplus	$4,473,964	$4,049,012
Valuation of fixed maturities	38,897	36,767
Provision for Schedule F	12,037	1,590
Non-admitted assets	4,430	5,106
Miscellaneous	5,873	6,179
Total Policyholders' Surplus	**$4,535,201**	**$4,098,654**

Differences in statutory Net Earnings from that shown on the Consolidated Statements of Operations and Comprehensive Earnings (Loss) for the years ended December 31, 2017 and 2016 are as follows:

(In thousands of U.S. Dollars)

	2017	2016
Statutory net earnings	$115,116	$271,935
Deferred income taxes	112,173	(60,594)
Underwriting income	4,745	(1,429)
Investment income	106,924	87,514
Miscellaneous	3,063	2,288
Net Earnings	**$342,021**	**$299,714**

13. Subsequent Events

On March 9, 2018, the Board of Directors declared a supplemental Distribution of $146 million. The supplemental Distribution has received regulatory approval from the Delaware Department of Insurance, and is expected to be paid on April 27, 2018.

Subsequent events have been evaluated through March 22, 2018, which is the date the consolidated financial statements were available to be issued.

Nuclear Electric Insurance Limited (NEIL), located in Wilmington, Delaware, insures domestic and international nuclear utilities for the costs associated with accidental interruptions, damages, contamination and related nuclear risks. NEIL was founded in 1973 with the formation of Nuclear Mutual Limited (NML) in Bermuda. NML was formed by a group of U.S. electric utilities as an alternative to the commercial nuclear insurance market. NEIL was formed in 1980 to issue excess property and accidental outage policies to complement the policies being issued by NML. In 1988, both companies moved their operations from Bermuda to Wilmington, Delaware, and, in 1997, NML was merged into NEIL.

In 1999, the Company expanded operations by launching NEIL Overseas dac in Dublin, Ireland.

NEIL

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