

Oklahoma Captives Conference



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Contents



Our Captive Story

TPIC
TPIC Tall Pines
Insurance
Company



Captives Overview

Why form the Captive?

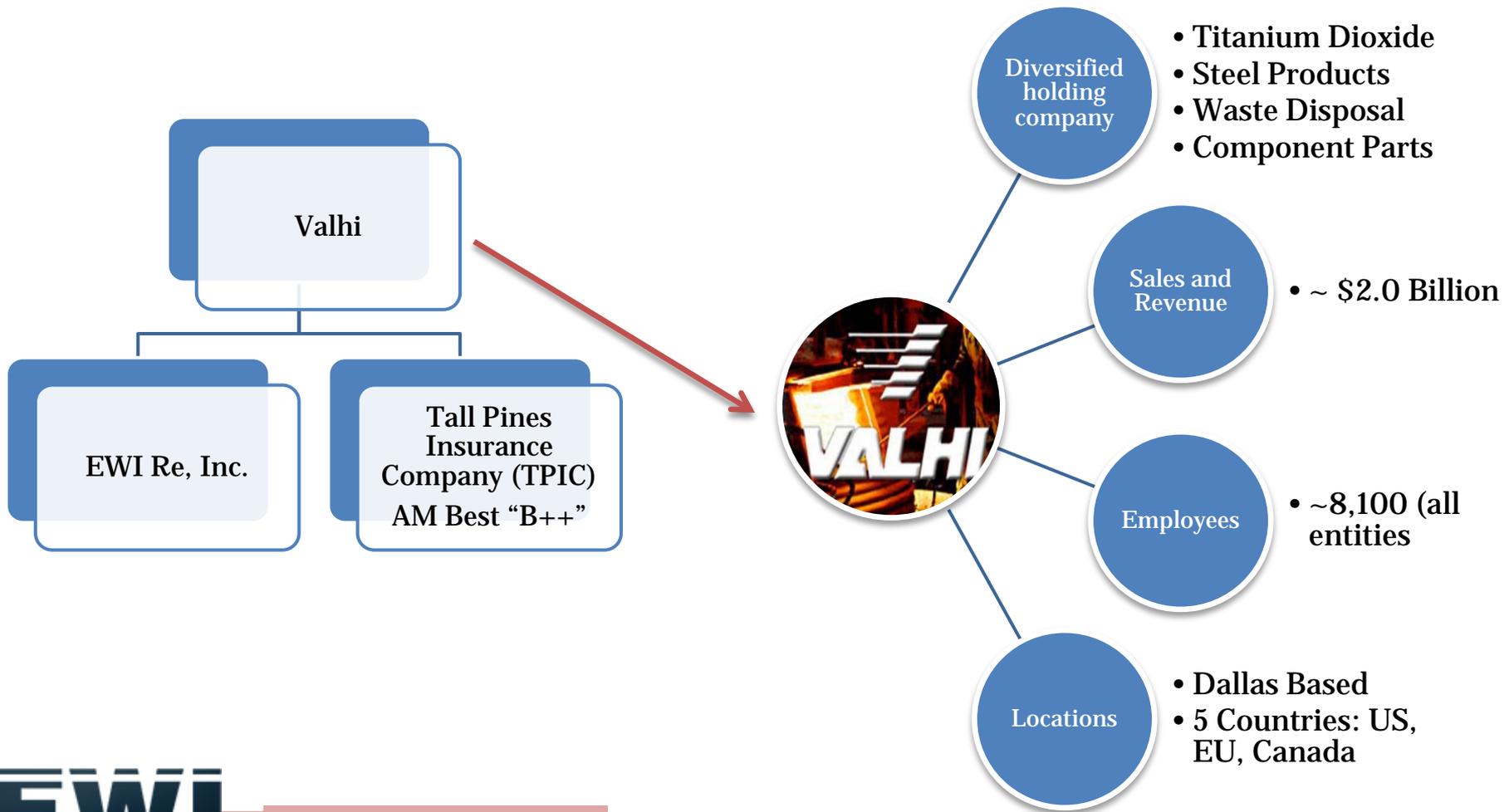
- ✓ Risk management evolution
- ✓ Manuscripted policies-useful in energy niche
- ✓ Direct access to reinsurance
Economic value accretion – tax neutral since inception
- ✓ Set deductibles – drives risk management culture at business units
- ✓ Some insurance outside of captive

How the Captive Fails?

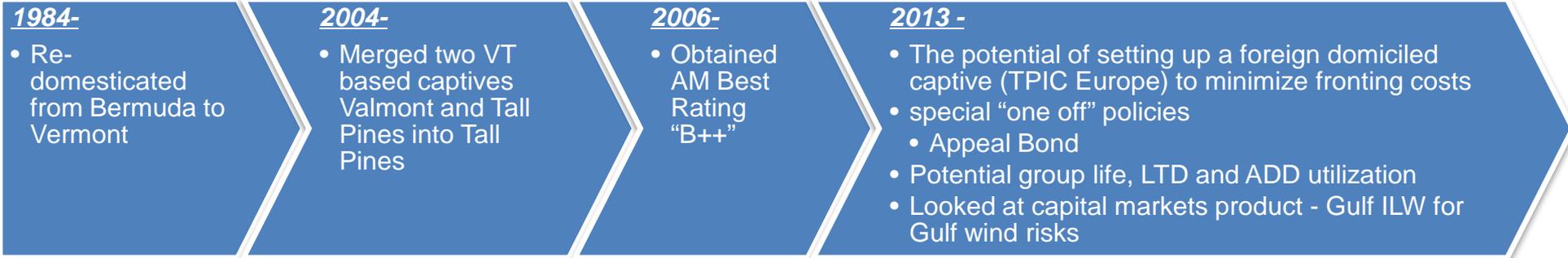
- ✗ Not effectively operated as an insurance entity
- ✗ Third party business failures
- ✗ Investment and counterparty risks



Our Business Model

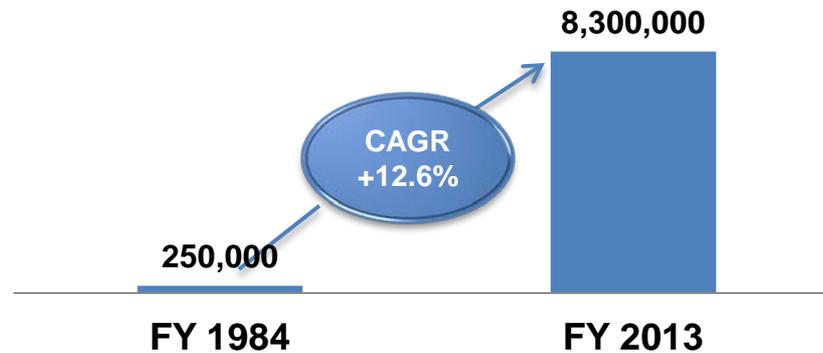


TPIC – Evolution of Progress



TPIC

■ Capital and Surplus



TPIC Business Strategy

- Independent profit center
- Fundamental premise – managed in manner consistent with external P&C companies
- Managed on a ROE basis – capital management
- Preservation of Capital
- Business model is exclusively focused on internal risks at this point
- Experience with third party assumed business was poor (early 80's)
- Placement strategy (reinsurance or primary insurance) is based on market conditions
- Periodically examine potential to retain more risk within the captive



Differentiators

Embedded loss control, claims, legal and insurance

All risk management activities for disparate business units are centralized into one cost center

Cost of Risk metric

TPIC- Key Exposures

Plant/Industrial Fire

- GL and Property loss triggers –all reinsured
- WC and GL dual trigger losses

Investment volatility



Credit counterparty risk

Reinsurance credit risk

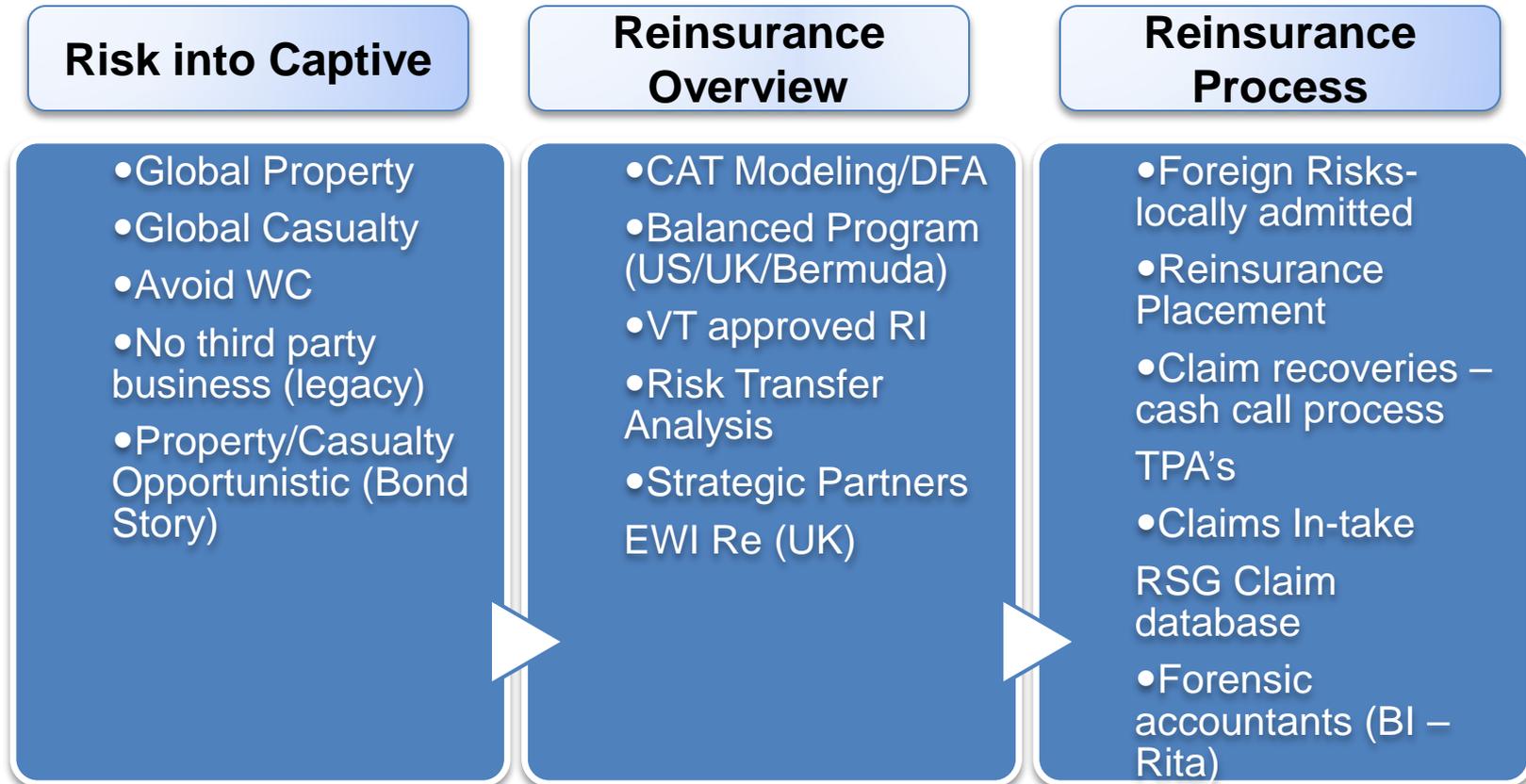
- Uncollectible reinsurance from deterioration in the global financial markets

Terrorism profile

- Low profile exposures globally

Enterprise Risk Management

TPIC- Business Model



TPIC- Reinsurance Security

We continue to look at ways to optimize the captive as a global risk management tool

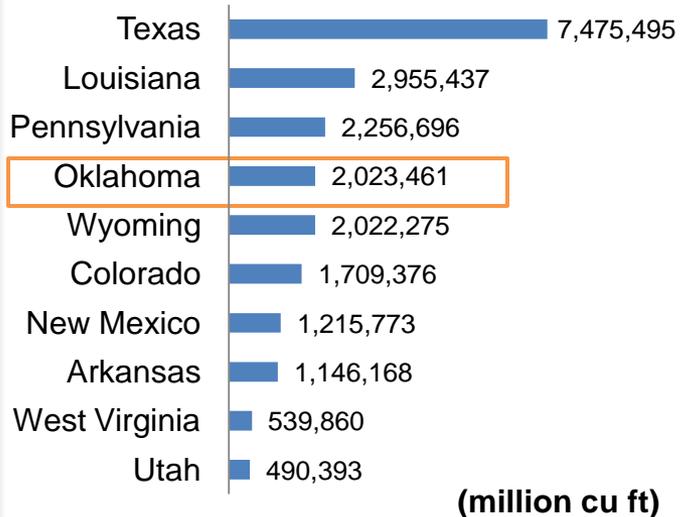
- Reinsurance strategy
- EWI has a longstanding Security Committee that vets all reinsurers (minimum requirements are AM Best “A-”, Class VIII)
 - VT DOI approved list
- Proactive controls during financial crisis
 - Commutations used strategically to unwind credit risks if an above average insolvency risk is perceived
- Bias towards approving new markets slowly

Energy Industry Indicators

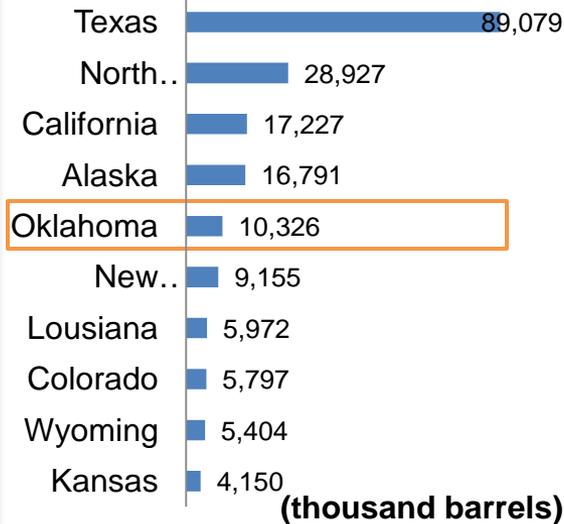


Oklahoma Energy Production Rankings

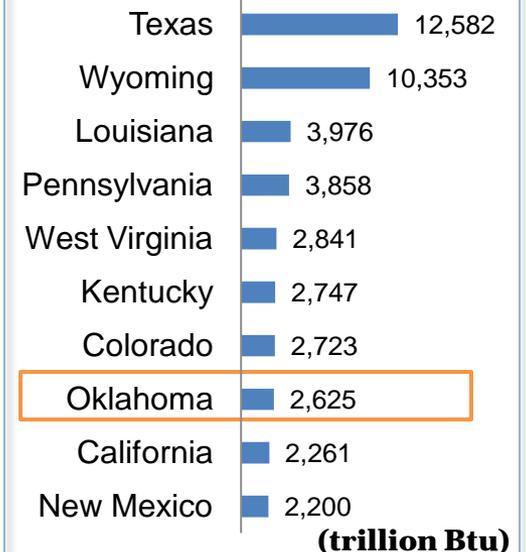
4th largest Gas Marketed Production State in the U.S.



5th largest Crude Oil Production State in the U.S.



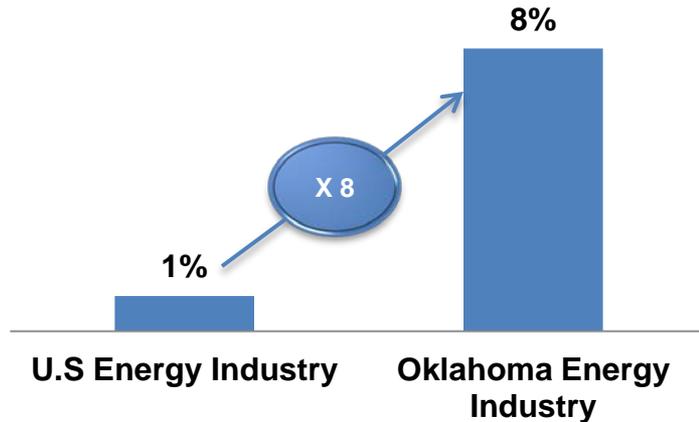
7th largest Total Energy Production State in the U.S.



Energy Industry Presenting Opportunities for Captives

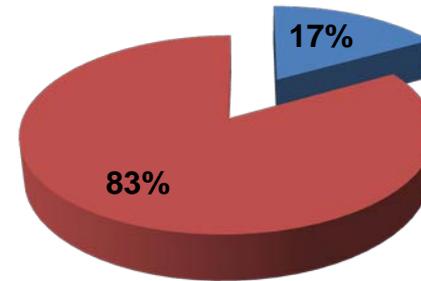
Energy Industry **+12,000** jobs in **2** years

Comparative Analysis of Total GDP Derived from Energy Industry



Comparative Analysis of Jobs supported by Industries in Oklahoma

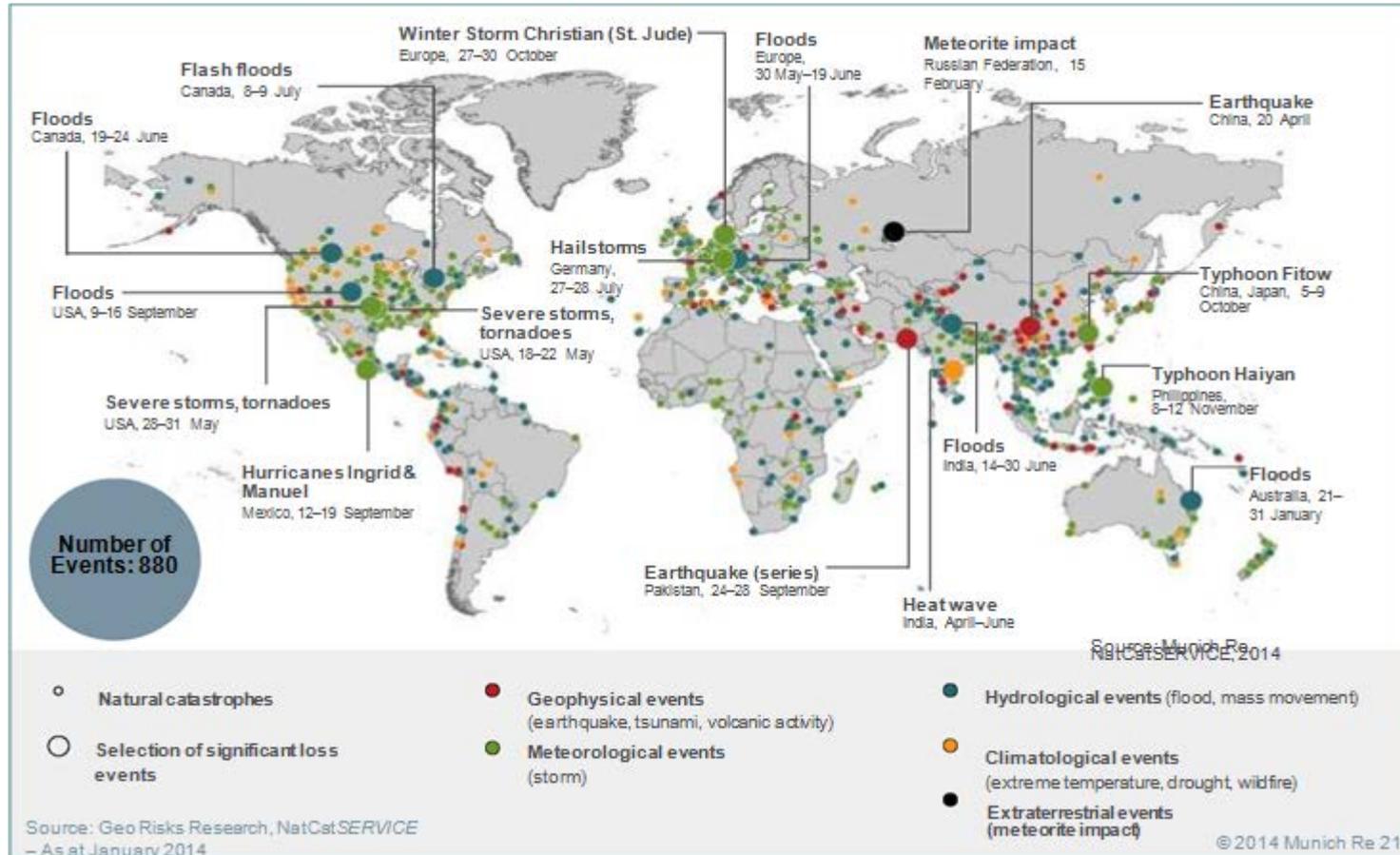
- Jobs supported by energy industry
- Jobs supported by other industries



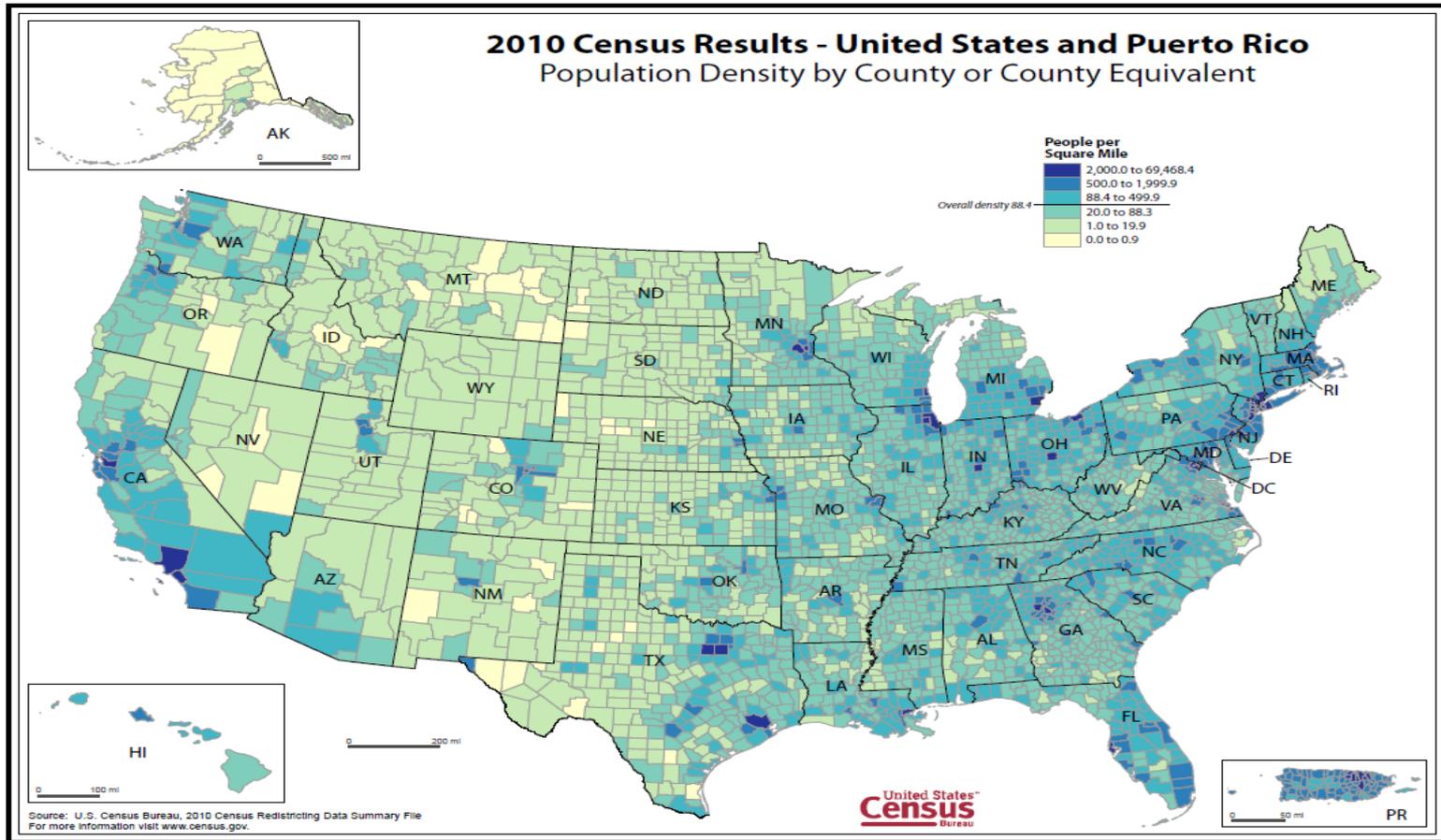
Catastrophe Overview



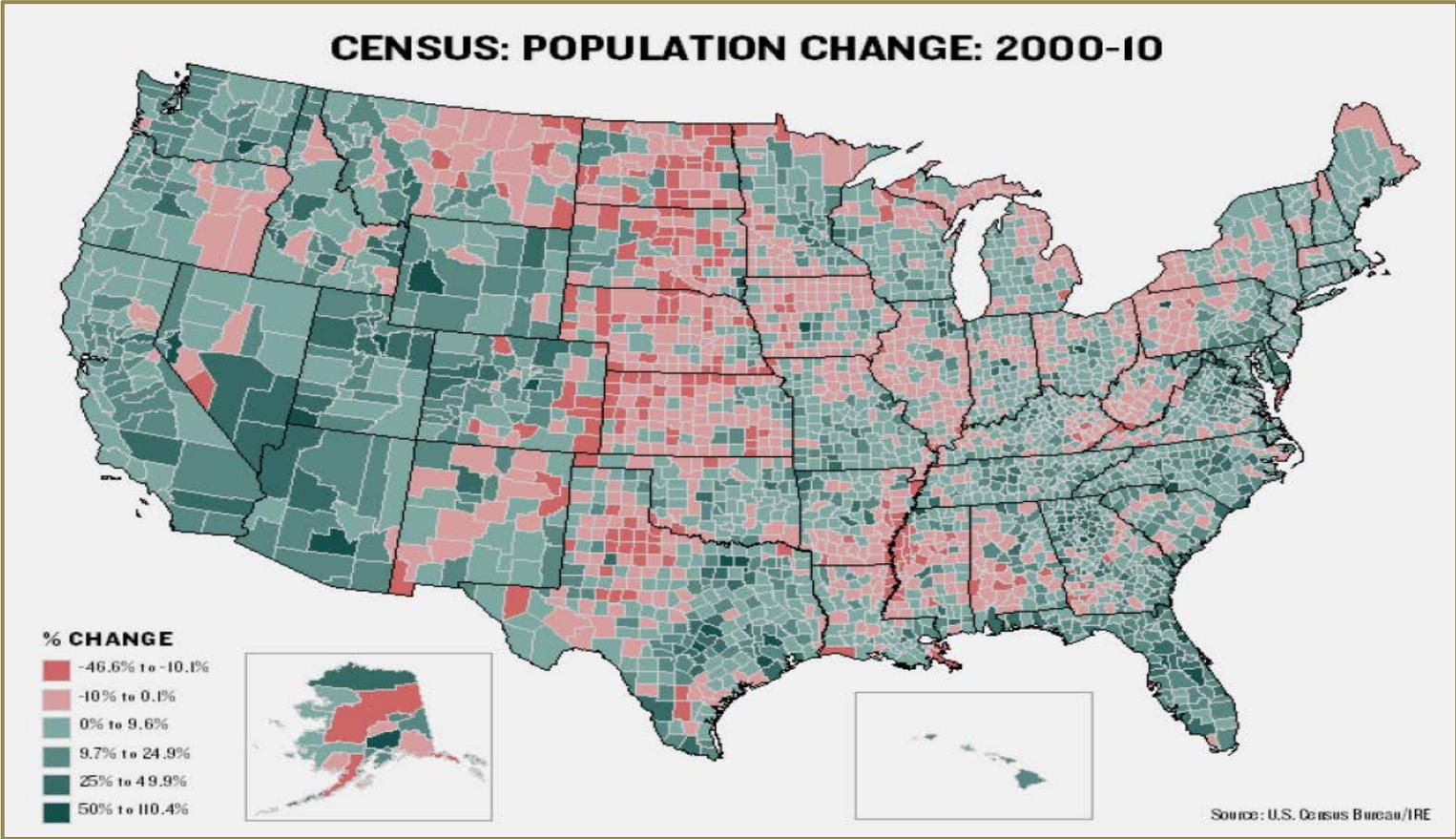
2013 Catastrophe Overview



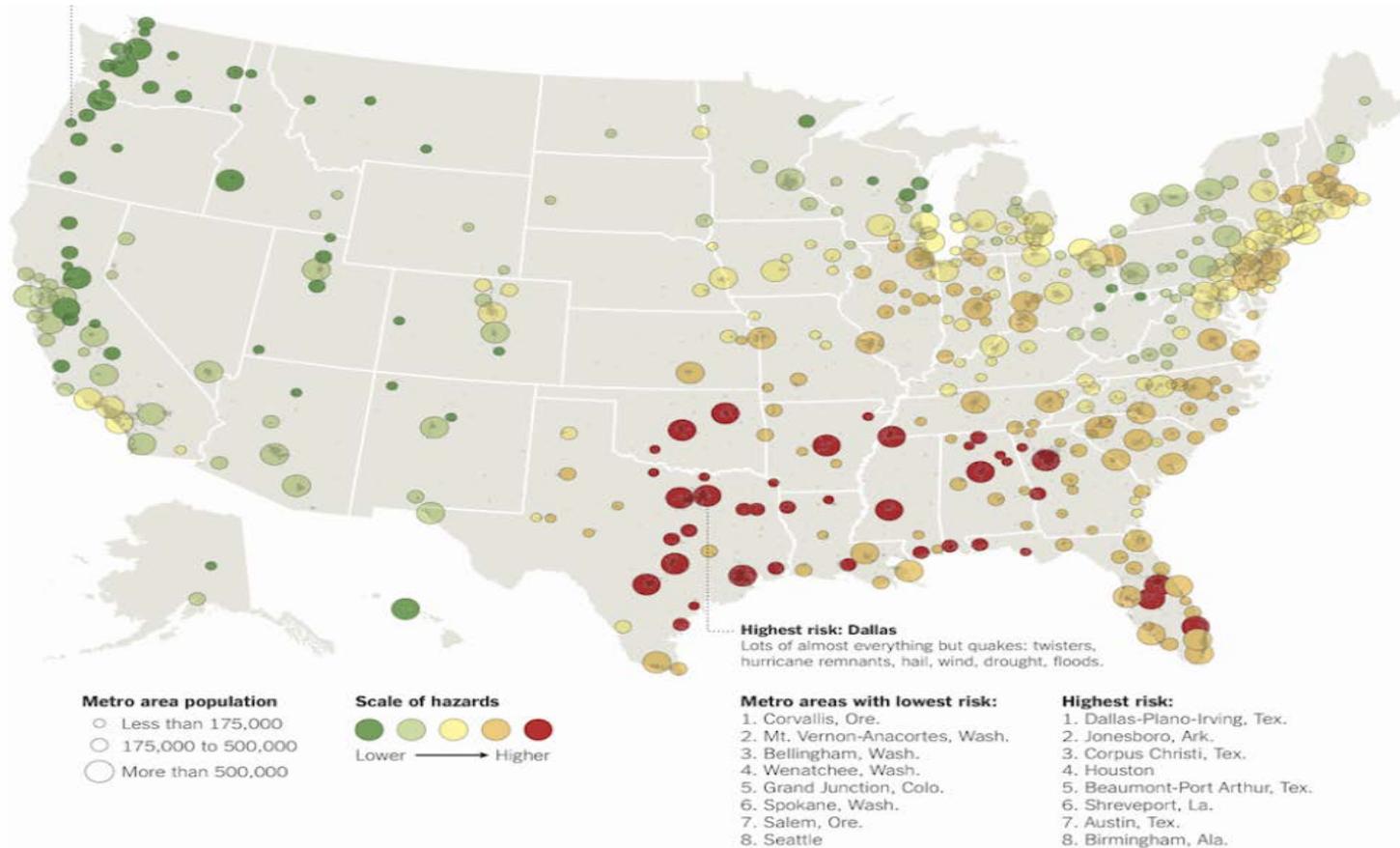
US Population Concentrations



US Census changes Movement towards Water



US Population Density Risk



Possible Causes Increased US CAT Losses

- Rise in US population (9.7% increase from 2000 to 2010)
- Increased standard of living
- Concentration of people and values (urban sprawl) – “50% within 50”
- Settlement in and industrialization of extremely exposed regions
- Increasing insurance density (more people are buying insurance in a market) – global trend
- Change in environmental conditions & reduction of wetlands
- Huge increases in residential and commercial development along the coasts

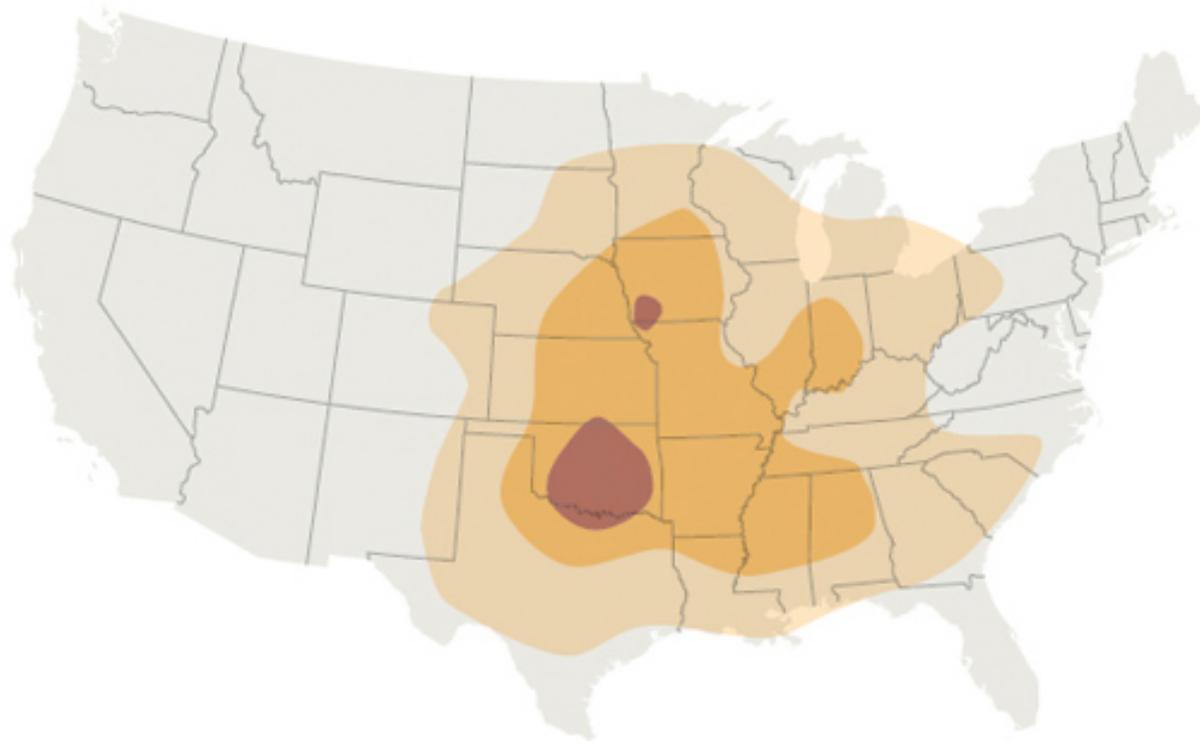
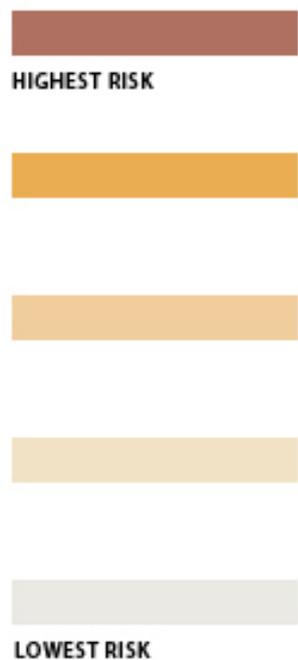
Tornado and Hail - US

- Severe thunderstorms resulted in \$16.3 BN in overall losses and \$10.3 BN in insured losses in 2013.
- Thunderstorms accounted for 80% of the total US \$12.8 BN in insured losses in 2013 for all catastrophes.
- There were 943 tornadoes in 2013:
 - Oklahoma - 79
 - Texas – 78
 - Illinois – 69
 - Nebraska - 65
 - Kansas - 58
 - Missouri - 54
- In 2013, 53% of tornadoes occurred in May, June, and November.
- 60% of hailstorm activity occurred in May, June, and July.

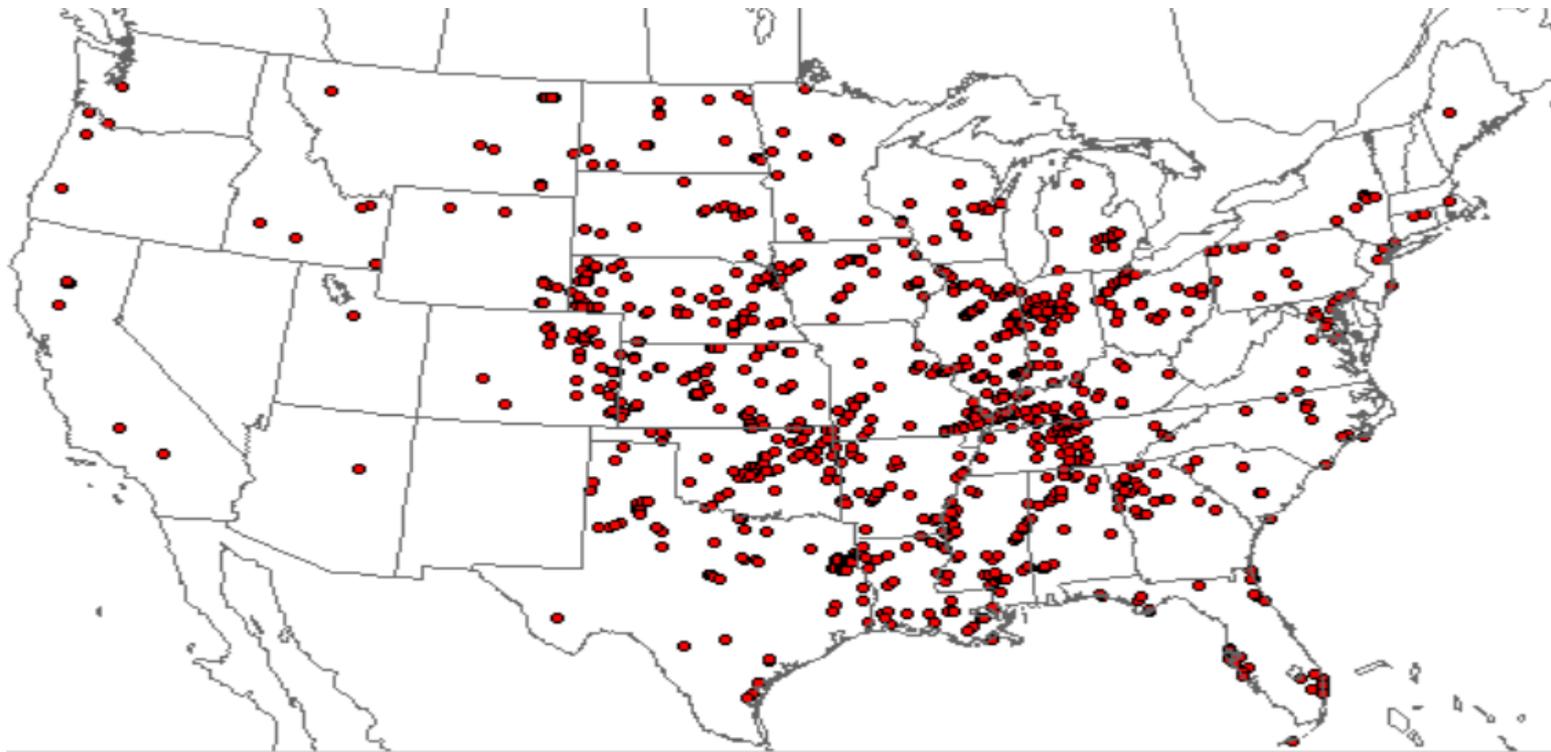
Tornado and Hail Dynamics



Tornado Risk Map



U.S. Tornadoes in 2013



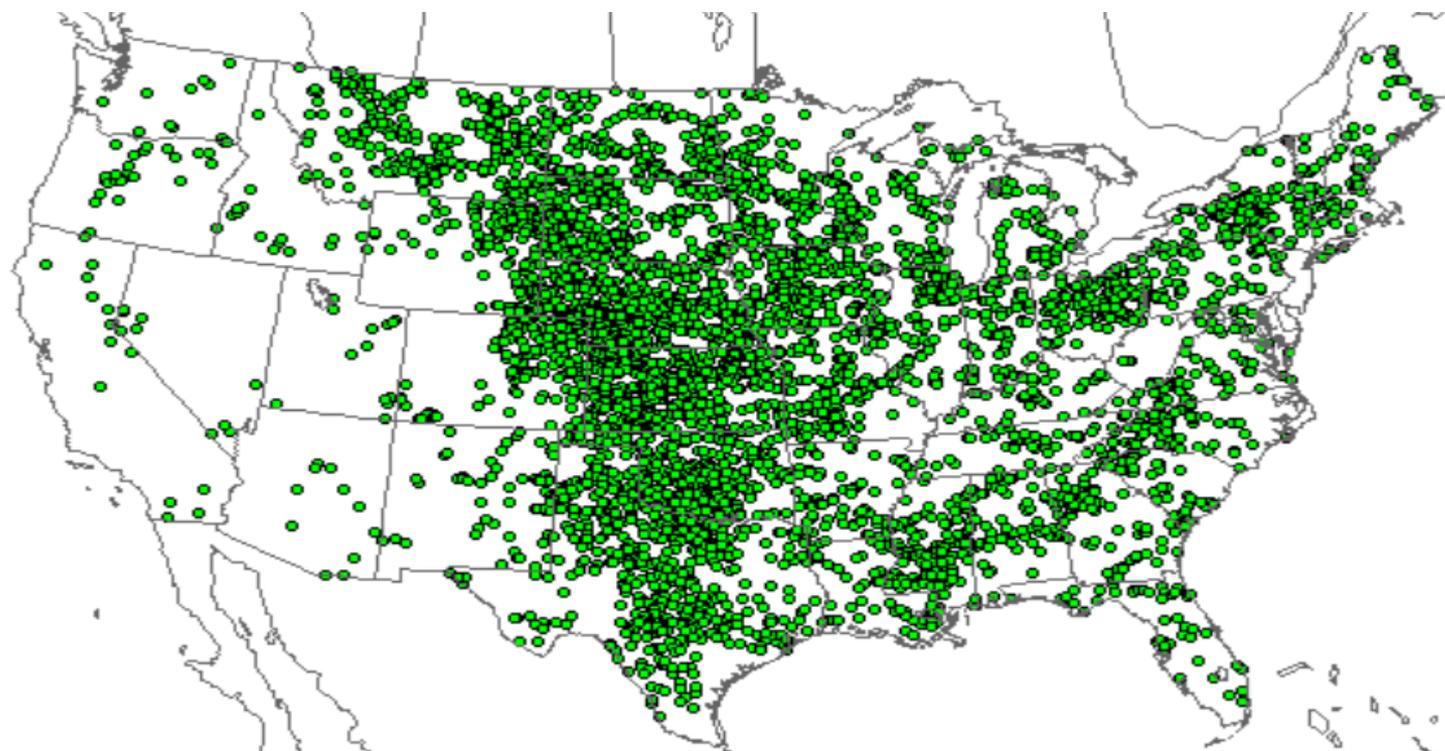
**PRELIMINARY SEVERE WEATHER
REPORT DATABASE (ROUGH LOG)**

NOAA/Storm Prediction Center Norman, Oklahoma

**Tornado Reports
January 01, 2013 - December 31, 2013**

Updated: Tuesday December 31, 2013 16:17 CT

U.S. Hailstorms in 2013

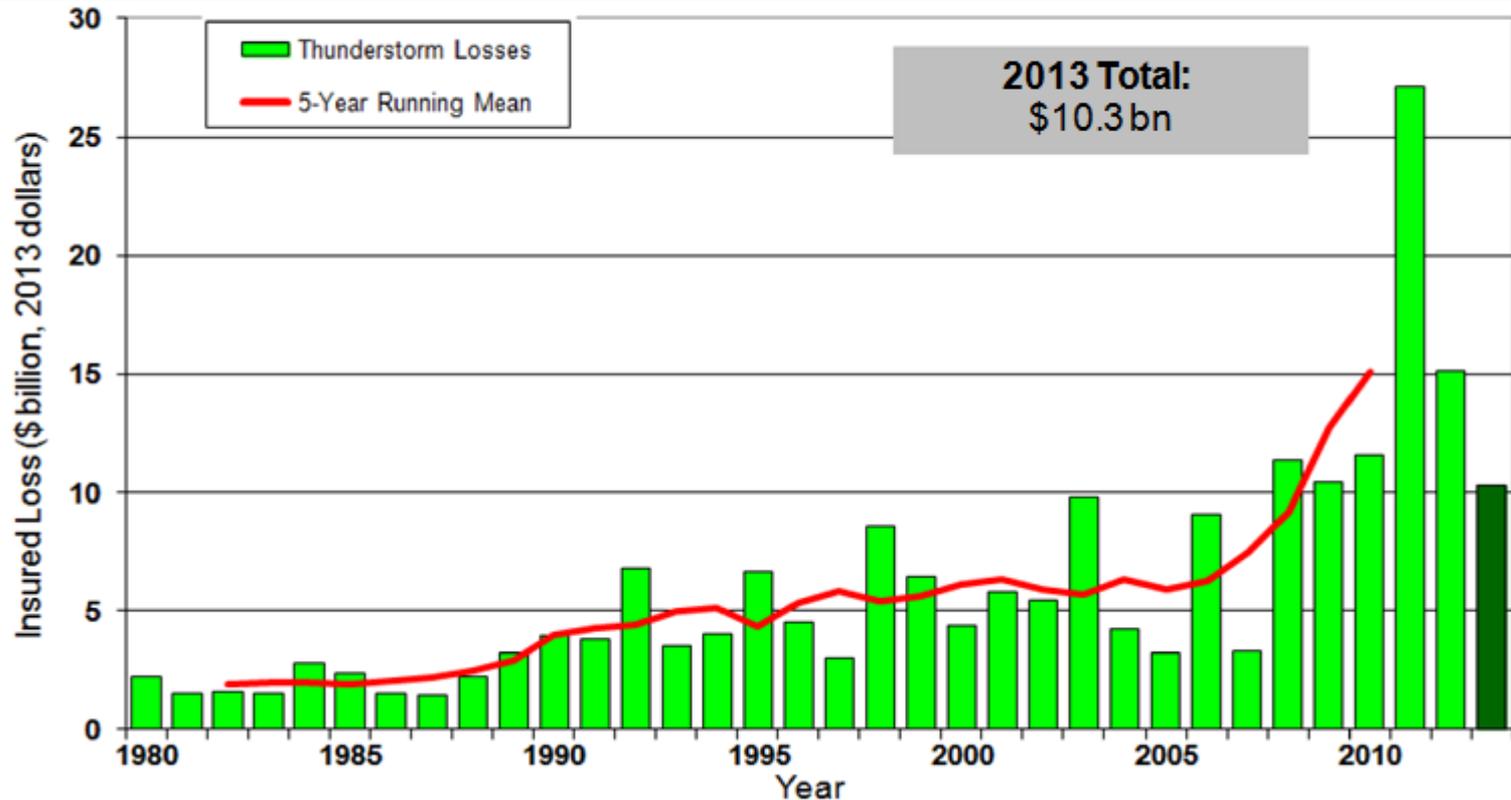


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U.S. Thunderstorm Loss trends Annual Totals 1980-2013

Average insured thunderstorm losses have increased sevenfold since 1980.



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