

2018

Report to Members

Inside the Rye, New York, home of PURE member Helen Woods.





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**EXECUTIVES AND OFFICE
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A man in a dark suit and light blue shirt is speaking at a podium. He is looking down at a small device in his hands. Behind him is a large screen displaying a fire. The background is dark, and the lighting is focused on the speaker.

LETTER FROM The CEO

To My Fellow PURE Members,

Bear with me if you've heard this story before: Major hurricanes bring destruction to the East and Gulf Coasts of the United States. Unprecedented wildfires cause heartbreaking loss of lives and homes in both Northern and Southern California. The PURE claims team does an admirable job in response to these events. The PURE underwriting team proves its worth by carefully selecting for membership only the most responsible owners of the finest built homes. The PURE membership—always the hero of our story—emerges from these devastating events with greater wisdom and resiliency, having been rewarded for all of the decisions they made to clear brush, install hurricane shutters and never cut corners. 2018 looked an awful lot like 2017. And I don't think any of us want to go for the "three-peat."

We began the year with a devastating anomaly as an early January 2018 rainfall brought us one of our largest losses of 2017. The January rain turned the hillside above Santa Barbara, California, into a fast-flowing river of mud. The damage caused by the volume and velocity of mud and debris was hard to believe. There can be some questions of insurance coverage from damage caused by rain and mud, but PURE (like all insurers) determined the proximate cause of loss to be the December 2017 Thomas Fire which left the hillside defenseless. For a very short time, the Thomas Fire held the distinction as the largest wildfire in California's history. For many of our members, they had just returned to their homes after the fatigue and anxiety of an extended forced evacuation. There have been many lessons learned from the recent California fires, but none more important than the reminder that the PURE membership is a strong and resilient bunch.

The winter weather on the East Coast presented a constant, albeit less dramatic, risk to the PURE membership. The extreme cold temperatures were followed by the fierce winds of back-to-back-to-back nor'easters named Quinn, Riley and Skylar. We remain convinced that we can continuously improve our odds against winter weather. Data and analytics make it easier to predict the likelihood of damage and smart home technology makes it easier to prevent pipes from bursting—or at least reduce the damage by immediately shutting off the flow of water. We are grateful for all of our members who have taken extra precautions to save themselves from the massive disruption of a burst pipe, and we are eager to engage with the entire membership to join us in the effort to reduce winter weather losses.

Hurricane Florence brought strong winds to the Carolina coast and soaking rain that seemed to never end. Some of the worst damage occurred away from the shoreline as big trees fell on beautiful homes, and members as far inland as Raleigh and Charlotte were faced with a massive cleanup. Florence was a reminder of the importance of flood insurance. PURE provides a “write your own” version of the National Flood Insurance Program, backed by our claims response. If you have not purchased flood insurance in the past, please see your broker for a quote. If you already have an NFIP policy, and PURE is not the servicing company, your broker may be able to help you make the switch and improve your service experience.

Hurricane Michael taught us the lesson of “rapid intensification.” A tropical disturbance in the Gulf of Mexico became a tropical depression and a few days later made landfall as one of the most intense hurricanes to ever hit the United States. Dozens of people died and it is estimated that more than \$10 billion of damage was caused. The New York Times famously profiled the last house standing in the beach community along the Northwest coast of Florida's “Big Bend.” This was a great reminder of the care and discipline that thousands of PURE members have shown in buying or building homes that are elevated and constructed to meet or

exceed the strict building codes along the Florida coast. Hurricane Michael was also vivid proof of the soundness of our strategy to serve those who own newer, bigger and better-built homes.

The Camp Fire devastated the town of Paradise, California, and became the deadliest and most destructive wildfire in California history. We do not serve many members in that region, but we all feel for the loss suffered by that community. Earlier in the year, one of our members sadly lost their beautiful home in a wildfire near Redding, California. We were on high alert and engaged with our membership in Los Angeles and Ventura Counties as the Woolsey Fire threatened homes from Thousand Oaks down to Malibu. The professional firefighting crews who battled that fire deserve our unending appreciation as they saved countless homes in the region. The PURE Wildfire Mitigation team worked overtime to reduce the likelihood of loss. They were aided by the careful preparation of the PURE membership, who maintained critical defensible space around their homes and starve the fire of any additional fuel. Our membership was fortunate to not suffer a single total loss in this fire, but that is not to say there was no significant damage. As I write to you, our members are still repairing burned garages and pool houses and restoring smoke-damaged walls and furniture. They are also facing the emotional challenge of stepping outside and seeing the remains of some parts of their neighborhood where others were not as fortunate.

PURE entered California less than five years ago. Today it represents our fourth largest state and our fastest-growing major market. The insurance market in California is undergoing major changes as insurers come to grips with the reality that 2017 brought more wildfire losses to the state than the prior 20 years combined, and that 2018 will likely be even more costly. We have taken pride in our disciplined underwriting strategy to carefully select members whose homes are more likely to survive a wildfire because they are not directly adjacent to the wildlands and they live in neighborhoods with multiple access routes and maintain defensible space around their homes. Looking back at communities like Paradise or Santa Rosa, it is clear that making good bets is only part of the equation. Insurance companies can make too many bets—each of which may have looked good; yet if you lose, you might lose big. Every day, we are enhancing our understanding and management of aggregate exposures for wildfire with proprietary technology and analytics. We have been prudent in our early years in California and you can expect more of the same from us in the coming years.

By the end of the year, we had paid out or set aside about the same amount for claims and expenses as premiums taken in. All things considered, this is a pretty good result. When you factor in the impact of member surplus contributions, your insurance company had another strong year of enhancing its financial strength. Policyholder surplus (the financial backstop available to pay claims when premiums and reinsurance are not enough) grew by more than 20% in 2018 and the PURE Group of Insurance Companies



surplus exceeded \$500 million by the end of the year. Our principal rating agency, A.M. Best, upgraded its Financial Strength Rating of the PURE Group of Insurance Companies to “A” (Excellent) with a Stable outlook. Rating agencies are reluctant to upgrade growing companies since they naturally believe growth brings uncertainty and puts a strain on operations. I am so proud of my colleagues who have managed the growth of this company carefully, and I am grateful to the PURE membership for fueling that growth with referrals to your most responsible friends.

Our financial strength and claims-paying ability was strengthened by a group of reinsurance companies that demonstrated great faith in our business plan this year. Thirteen reinsurers agreed to a partnership where they share in the results of every policy we write on a proportional basis. Every premium is shared, as well as every loss. This “All Lines Quota Share” creates an efficient and scalable source of capital—provided we deliver good results. Our ability to serve our members with confidence requires that this partnership afford our counterparties a chance to earn a fair return. 2018 was another challenging year for the reinsurance industry. We are constantly trying to align the interests of all stakeholders, and reinsurers are an important part of that equation.

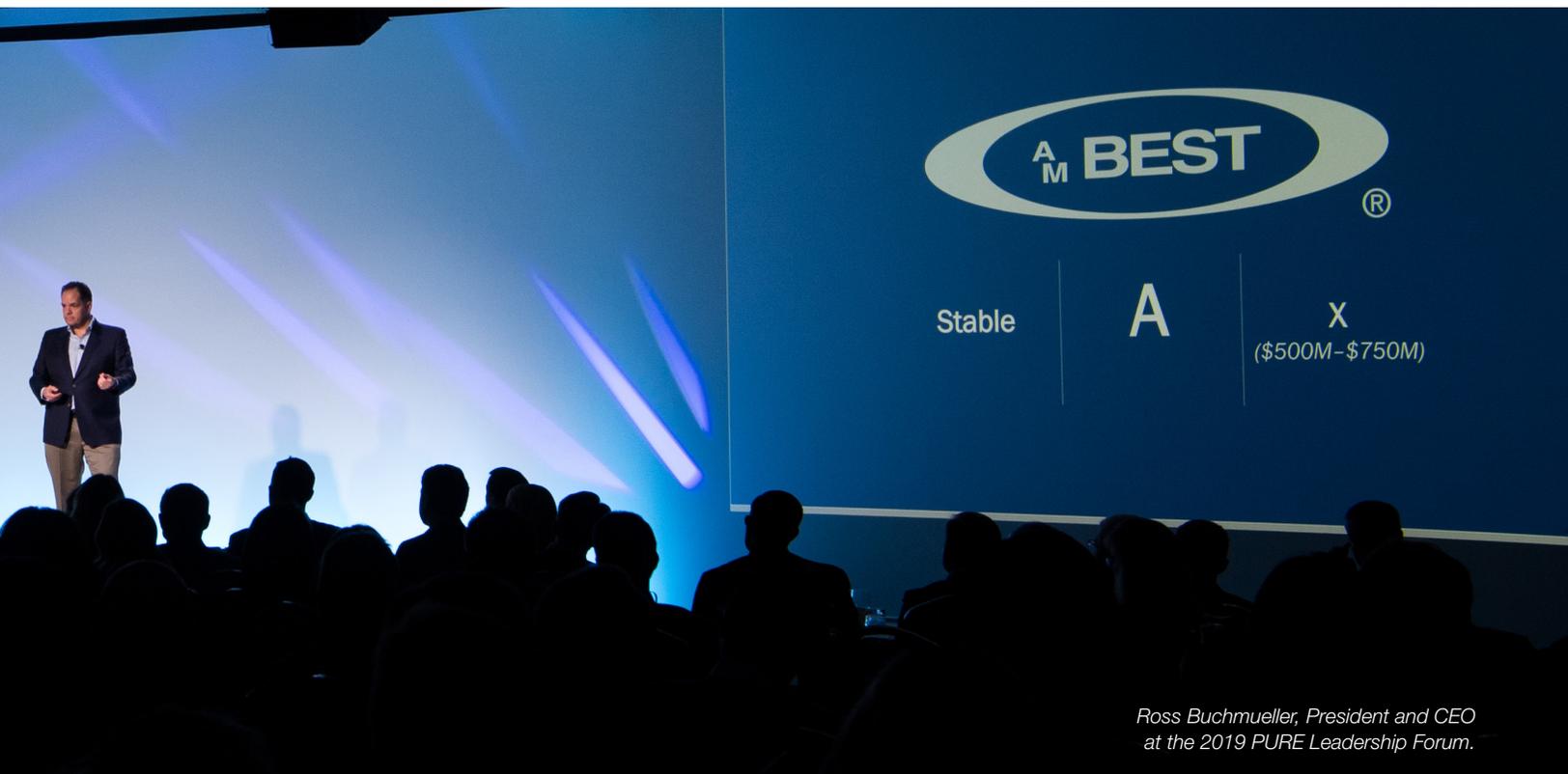
Critical to our formula is our ability to delight individual members, while not losing sight of the needs of the entire membership. One example where this conflict arises is when we need to non-renew a loyal member. There remains a small, single-digit percentage of the PURE membership for whom the likelihood of an underwriting profit is remote. For some, the predictors of future losses may have always been present, and we are getting smarter every day to prevent them from joining the membership in the first place. For others, things may have changed since they joined. Not offering a renewal to a PURE member may be the least enjoyable thing that

our staff does, but it might be one of the more important actions for the membership at large. It keeps premiums fair, offers profits to reinsurers, helps strengthen PURE’s financial condition and serves the best interests of our membership, even if it upsets an existing member. I am encouraging our folks to demonstrate empathy to the entire membership when faced with these challenges.

Direct Premiums Written in PURE grew by more than 23% in 2018 with premiums approaching our first billion dollars in the reciprocal. Growth was strong across the country, with every one of our 10 regions showing growth of 18% or greater. We had strong growth in new members for 2018 and our retention of the membership was even stronger, with nearly 96% of members renewing with PURE and collectively buying coverage for more homes, cars, art and jewelry than ever before.

Our network of independent brokers is also stronger than ever. We pride ourselves on working with an elite group of independent professionals whose expertise and commitment to service enhances our member experience ecosystem. These relationships are deepening, with three quarters of our business having been introduced by fewer than 300 independent firms countrywide. We have begun to allow access to PURE for smaller independent brokerages that demonstrate the integrity and professionalism we demand, but that may not have access to the volumes of business that our existing partners have. This business, called PURE Connect, has allowed us to create even better geographical diversification without sacrificing any underwriting standards. We see the day coming when PURE Connect introduces us to members who contribute, in total, more than \$100 million in annual premiums to PURE.

Another new business, PURE Programs, continues to shine. You



*Ross Buchmueller, President and CEO
at the 2019 PURE Leadership Forum.*

may recall that PURE Programs is a Managing General Underwriter (MGU), owned by the parent company of your Attorney-in-Fact, who brings a high-touch service platform to high-value and hard-to-place risks. Nearly half of the clients served by PURE Programs to date have been PURE members who own a home that does not meet our underwriting standards. PURE does not assume the risk for these higher risk properties, as we have a panel of insurers who authorize PURE Programs to underwrite on their behalf. If we can provide solutions without sacrificing our underwriting standards, everybody wins. Another way PURE members benefit from PURE Programs is the investment we have made to significantly increase our resources in claims adjusters and risk management professionals. We believe PURE Programs can play a significant role in the California economy by manufacturing insurance capacity for those who live in areas where the exposure to brushfire or the aggregation of risks is too great for PURE or other “admitted” insurers. If the insurance market tightens too much and home values suffer, the consequences can be significant. We are trying to find an alignment of interests where insurers and other capital providers are paid enough that they are willing to assume this difficult and volatile risk, while consumers find those premiums to be acceptable (knowing they don’t have many options) and they find the service experience to be exceptional.

Solving these great challenges requires a team of bright, hard-working and creative people. Our 10 offices across the country are filled with such people who are guided by our sense of purpose and energized by the chance to serve you. From our early days, we have believed that our culture can be powered by empathy and emotional intelligence. We screen for such qualities when we interview and we train our folks so that we can all strengthen our own EQ. Over time, we have seen a risk from the oversimplification of our emphasis on

empathy, and we have needed to ensure our greatest contributors are “beyond nice.” Combining strong emotional intelligence with curiosity and a growth mindset ensures we have a lovely group of people who are rarely satisfied and relentless in the pursuit of better solutions. This year, we began a process of “renewing our vows.” We wanted to re-evaluate our purpose and our principles to ensure they never become stale or just jargon. We spend more time on matters of culture than virtually any other part of our company. I know the many business leaders within the PURE membership feel similarly and I welcome all of the wisdom you may have for me on this subject.

The future will bring us plenty of challenges—from economic volatility to climate change to the increased threats of data privacy and security. We will do our best to tackle all of them with the same sense of urgency and purpose that has guided us for the past 13 years. Above all, we will continue to reinforce our commitment to an alignment of interests. Our employees, our independent broker partners, reinsurers, investors and, of course, our membership can all be rewarded when we deliver an extraordinary service experience, backed by sound underwriting results. 2018 was a very good year in a pretty tough environment. 2019 will bring more change and more challenges—but your insurance company is up to the task.

Thank you again for the opportunity to be of service to you and your families.

Ross Buchmueller
President and Chief Executive Officer

LETTER FROM

The Subscribers' Advisory Committee Chair

Dear Fellow PURE Members,

Throughout my career as an attorney and insurance industry consultant, I've had the privilege of serving on both for-profit and not-for-profit boards, enjoying the experience of helping effect positive change on the future of these organizations. I was introduced to PURE 10 years ago, when I was hired as a consultant to help the company expand its operations into several new states. As I step into my new role as Chair of the Subscribers' Advisory Committee (SAC), I am excited to see how far PURE has come, recently exceeding the milestone of \$1 billion of in-force premium.

The SAC comprises a high-functioning group of dedicated men and women with varied geographical, professional and personal experiences. While our role as SAC members is primarily advisory, our potential to make a difference is profound. My fellow SAC members and I take our role seriously. We work with management to reinforce a commitment to deliver exceptional service. We meet quarterly with company leadership to ensure we have a strong understanding of operations, results and priorities. Last year, all SAC members also attended a two-day audit "boot camp" to deepen our understanding of the financial operations of the company and to strengthen our ability to fulfill our audit responsibility. Finally, we meet annually with the outside investors in the holding company to ensure our interests are aligned around that service proposition.

Additionally, the SAC engaged with hundreds of members, employees and insurance brokers throughout the year. We visited PURE's regional offices to experience the culture and meet the people who actually do the great work of the company. We were also afforded a special opportunity to interact with the inspiring young men and women of The First Tee at the PURE Insurance Championship to see first-hand the impact PURE has had on communities across the country.

One of the highlights of my tenure with the SAC was meeting with the new class of employee trainees last June, many of whom had just graduated from college. This impressive group was eagerly engaged, asking us questions about how they could best help the company serve its members. One young woman asked me, "Was there anything about PURE that stood out as exceptional?" In contemplating my answer, I recalled how fortunate I've been to work with some of the best insurance companies in the country—both as my employers and as my clients, and it is clear to me that PURE is second to none in its genuine, focused dedication to service, especially when members are faced with a disaster or claim.





PURE's Subscribers' Advisory Committee. From left: Richard Jacobs, Douglas Fields, William W. Wilson III, Jodi Lash (Chair), Ross Buchmueller, and James H. McLaughlin. Missing from the photo is Joey Cummings. For additional information and bios, visit pureinsurance.com/sac. To contact the SAC, email sac@pureinsurance.com.

“TO ME, PURE IS SECOND TO NONE IN ITS GENUINE, FOCUSED DEDICATION TO SERVICE, ESPECIALLY WHEN MEMBERS ARE FACED WITH A DISASTER OR CLAIM.”

This dedication is not fortuitous; rather, it's the product of a specific business model, deliberate planning and an organizational commitment to ingrain service into PURE's culture. SAC members see the planning and thoughtfulness that goes into service delivery. We have witnessed PURE's ability to evacuate members in advance of the West Coast fires and we've seen how the PURE Situation Room™ proactively checked on members and provided help throughout the hurricanes and their aftermath.

I continue to be impressed by the fact that our company handles the affairs of members as they would for their own families. That's a principal reason why I'm elated and honored to begin this new role and look forward to serving all of you this year.

Jodi G. Lash
Chair, Subscribers' Advisory Committee





*Kris Wieckowski, Sales & Marketing Manager,
at the 2019 PURE Leadership Forum.*

THE PURE PRINCIPLES

Our people are talented and know how to do their jobs. From time to time, we are all faced with difficult decisions and these PURE Principles serve as helpful guideposts and reminders to keep us on the right path.

01

We do the right thing—always.

Our team acts with integrity in everything we do, and we make our membership, our colleagues and our business partners proud.

02

We think about the long-term.

We make great decisions in the present, but we never sacrifice the future for the expediency of the moment. We make the investments in people, technology and strategy that will serve us even better tomorrow. We are making promises to be there for our membership, and honoring our commitments requires long-term thinking.

03

We balance the needs of each member with the interests of the entire membership.

We are eager to deliver an empathetic and thoughtful experience to each individual member. In many ways, this commitment defines our company. However, on rare occasions, we must be aware when the interests of any one individual are at odds with the long-term interests of the membership as a whole. In those circumstances, we will make the tough decision to advance the needs of the overall company against the wants of any one member.

04

We align the interests of our interdependent stakeholders.

We have many stakeholders—from our members to our broker partners to our investors (and more). We know our business thrives when the interests of all stakeholders are aligned—and nothing creates greater alignment of interest than an exceptional member experience. If we are ever confronted with a situation where the interests of one stakeholder are at odds with the interests of another, we are guided to do what we believe is best for the membership.

LETTER FROM

The Chief Human Resources Officer

To the PURE Membership,

I joined PURE in late 2017, and like most of my colleagues, I was drawn to the company because of our strong culture—a purpose and set of principles that define why we exist, how we do our work and our connection to one another. Authenticity is an essential component of our cultural identity. To ensure our environmental framework never becomes jargon, we embarked on an effort to “renew our vows.”

Over the course of several months, we examined the underlying purpose of our organization to ensure it not only resonated with our colleagues in all areas of the company, but it also served as a North Star to guide the major decisions we make. Our purpose is to enable our membership to live their lives to the fullest and to pursue their passions with confidence. I hope you can see this purpose in action when you read stories of our membership in this report.

We further defined the PURE Principles that help our employees make tough decisions. Our folks know how to do their jobs well. But, from time to time, they are faced with conflicts, complexity or confusion. We hope these Principles guide our colleagues to make the right decision.

Lastly, we wanted to better define the people who thrive in our environment. Prior to my arrival, the company made significant investments in training and screening for emotional intelligence and empathy. There is no doubt these investments contributed to our reputation for service, and they also played a role in making PURE one of the “nicer” companies I have ever known. As I watched those who truly created great outcomes for all stakeholders, it was clear we needed to go “beyond nice.”



Katherine Richardson
SVP, Chief Human Resources Officer

We aim to recruit, develop and reward people who are:

Intellectually curious. We seek new insights, new solutions and new skills to improve ourselves and our business.

Passionate. We love the work we do and the people we do it with. We enjoy the journey and the time we spend together.

Empathetic. We are at our best when we listen, care and remember our members are the center of our story.

Team players. We recognize that through collaboration, we achieve greatness together.

We take pride in the recognition we have received as a top entrepreneurial organization, a top corporate culture and one of Fortune’s Best Places to Work. Yet, there is so much more to do. This summer, we will welcome approximately 50 new college graduates drawn to our company from some of the finest colleges and universities in the country. It’s energizing to see the passion and curiosity these young people bring to our company. Before too long, they will be inventing the next breakthrough in service or solving some longstanding problem.

There is a wonderful energy that can be felt in our offices across the country. We welcome you to stop in someday and see your company in action. I also realize that so many of you lead successful organizations and focus on culture in your own right. If you have feedback from your experiences or suggestions for how we can improve, I welcome your ideas. My email is krichardson@pureinsurance.com.

Like all of my colleagues, I am grateful for the opportunity to serve you. Thank you for your support of PURE.



Ron & Linda DeKoven, Members Since 2017



Perri Harcourt, Member Since 2016



Helen Woods, Member Since 2014



Hollye Jacobs, Member Since 2016



Terry & Mike Caccavale, Members Since 2014

MEMBER EXPERIENCE.

In 2018, PURE issued more than 600,000 policies and bills for more than 80,000 members. We performed more than 12,000 PURE 360™ Risk Management Consultations to help members estimate replacement cost valuations, identify opportunities to reduce the likelihood of loss and provide documentation to accelerate the settlement process in the event of a claim. We issued more than 130,000 alerts from the PURE Situation Room™ and handled more than 27,000 claims.

As our team evaluates how we can create a better experience for our membership, we focus on three areas: measuring what we do and how we impact your lives; improving everything we do and reducing or removing friction from your dealings with us; and seeking the next breakthrough to give you the insights or utility that adds value to our relationship.

In the pages that follow, several of your fellow members have kindly agreed to share their stories in hopes that lessons learned from their experiences can make all of us smarter about the risks in our lives.

PURE member Hollye Jacobs at her home in Montecito, California.



MUDSLIDES

Hollye Jacobs

Hollye Jacobs and her family had been back in their Montecito, California, home for less than a week when authorities, once again, issued voluntary evacuation warnings—this time for the threat of mudslides. Just weeks before, Hollye’s family had been evacuated and their home had suffered significant smoke damage in the Thomas Fire. Hollye and her family had been living in a temporary home nearby, while smoke remediation work was done at theirs.

“The weeks since the fire were a stressful time for my family, and we were relieved to be back at home,” said Hollye. “So, when the second evacuation order was issued for our neighborhood, we were reluctant to leave but figured, what’s one more night?”

While the family slept at a nearby hotel that night, heavy rains turned the hillside into a fast-flowing river of mud, rocks and debris that cascaded down onto their community and right into their home.

Chuck Kronland, a PURE claims professional, was one of Hollye’s first calls. Chuck had assisted Hollye and her family with the smoke remediation work just completed, and he told her he was coming back early from vacation to take care of her and several other PURE members in the area.

It was three weeks before anyone could get in to survey the damage. The lower level of the Jacobs’ home was filled with waist-deep mud and debris. Among the rubble, they recognized fragments of their neighbors’ lives: a family photo and a guitar among them. One neighbor’s car washed up inside another neighbor’s pool. Far worse, more than 20 neighbors had lost their lives. “The whole town was under a blanket of trauma,” said Hollye.

Hollye felt like one of the lucky ones. “We were safe and our home was still standing. So many others in the community had the added stress and anxiety that come with having to find resources and negotiate contractors,” said Hollye. “I didn’t have to do that. I had Chuck and I had PURE.”

As repairs began and Chuck discussed ways that the Jacobs’ could make their home more resilient to future damage, Hollye was trying to do the same for her whole community.

“I needed meaning and purpose after all of this, so I became involved with The Partnership for Resilient Communities, a local organization formed to help Santa Barbara County mitigate damage from natural disasters,” said Hollye. “We all need to come together in times like these to create solutions.” The Partnership has already raised over \$4 million and is in the process of installing steel nets and other specially engineered devices to prevent destruction from future mudslides.

“After so much sadness and damage, seeing the first of the nets installed in our Montecito canyons made my heart leap with hope and joy,” said Hollye. “The resilience of our community inspires me every day.”

Now that Hollye’s home has been fully restored, she’s focused on moving forward. “After 55 weeks of being displaced after the Thomas Fire and mudslides, we are home sweet home,” said Hollye. “The lessons of this year have been extraordinary and unimaginable. What I know with absolute certainty is that in times of difficulty, there are always opportunities for growth, healing, hope, love and—of course—silver linings. Looking for hope and resilience in the midst of the darkness is and always has been my philosophy.”



Helping Members Become More Resilient

Recovery after a large loss isn’t just about replacing or repairing damaged property, it’s also about addressing the emotional needs that arise for our members in the wake of these traumatic events. Their home, which served as a place of security, comfort and safety, is now gone or forever changed and the normalcy of daily life is disrupted. There is added anxiety over the uncertainty of the claims process and of not knowing “what is next.”

Even though every loss has unique elements, our experts have seen enough large losses to help answer the question of “what is next.” Our Large Loss Guide gives our members visibility into the process of rebuilding and recovery and can help reduce uncertainty by offering answers to common questions. It is intended to supplement the one-on-one, personal assistance provided by their claims adjuster and PURE Member Advocate®. Our claims adjusters are also highly trained in emotional intelligence and human resiliency to help identify and respond to the emotional needs of our members in trying moments.

WATER DAMAGE

Helen Woods

When disaster strikes and you're away from your home, the chances of a severe loss are greater. And when a family with children is involved, the challenges to restore normalcy are also amplified. This is what happened to Helen and John Woods and their three young children.

A drop in the temperature of their home caused a low temperature sensor to alert the family while they were vacationing at Disney World. Before their fuel supplier could resolve the heating issue, pipes began bursting throughout their beautiful home in suburban New York.

Four days later, the Woods returned home around 3:00 AM as the first flurries of a major snowstorm were falling and temperatures were in the single digits. Power had been shut off at their house following the crisis, so Helen and their three children settled into a nearby hotel with only the clothes from their Florida vacation, while John made his way to their home to survey the damage. "I felt truly helpless," said Helen, "and with three little kids and nowhere to go, that's a terrible feeling."

This would mark the beginning of what the couple would later describe as "a nightmare situation."

It turns out that heat had been out for two days and multiple pipes in the home had frozen. As the temperature eventually rose, the pipes burst, releasing water throughout the walls and damaging an entire wing of the home where their children's bedrooms were located. The damage was severe and structural. Sections of the drywall were saturated with water, parts of the ceiling had collapsed and the hardwood floors were visibly warped.

Karsten Richards, a PURE claims professional, was assigned to the claim and quickly began work to coordinate repairs.

PURE member Helen Woods with her son at her home in Rye, New York.



“They had crews drying out our home and packing up our things almost immediately so that demolition could begin. We only lost a few rugs and several pieces of furniture had to be refinished, but everything else was saved. Then they connected us with a realtor who found a temporary home in our neighborhood for us to stay in while work was being done—and even offered to move our furniture into the rental, so my kids could have their own beds to sleep in. It meant so much to us to have a semblance of normalcy during a very stressful time.”

Contractors made repairs to holes in the ceilings and walls, and craftsmen restored decorative wood paneling that had been stained. The hardwood floors throughout the entire wing of the home were damaged beyond repair and required replacing. It was 10 months before the Woods could return to their home.

“This experience has shown our family how strong we really are and how much we can endure,” said Helen. “And the support we received from PURE was beyond what we could have expected.”



Protecting Your Home Against Water Damage

The damage caused by water loss can be costly, not to mention extremely disruptive to those impacted. In most cases, there are measures that could have been taken to prevent or reduce the damage, for example, installing an automatic water shut off system and low temperature sensors connected to a central station alarm, in addition to having a housekeeper check in on your home while you are away. To learn more about the most common causes of water loss experienced by the PURE membership and ways you can reduce your risk, see pages 28-31.

SMOKE DAMAGE

Ron & Linda DeKoven

Many PURE members own substantial collections of art, cars, wine or sports memorabilia. For most, like Ron and Linda DeKoven, collecting is more about passion than investing. The DeKovens seek out great wine to enjoy drinking and sharing with friends. They collect beautiful cars they love to restore and drive, large-scale model trains that take them back to their childhood and art that stirs their emotions and tells the story of their lives together.

Ron is most passionate about his model trains. Their garage is full, equally divided between his trains and a collection of antique vehicles, which includes sports cars, motorcycles and motor scooters.

Together, the couple also enjoys art. Ron's career has them traveling frequently, which allows them to visit galleries all around the world. Several of their favorite pieces of art, including a Warhol painting that Ron surprised Linda with, were purchased during these gallery visits.

Their cellar also includes wines made by friends and neighbors from grapes growing on their 30-acre property in Napa Valley, California.

All of these collections were threatened when the Tubbs Fire broke out in Calistoga, a little over one mile from their home. Luck and wind patterns were on their side, however, and the home was spared. Mandatory evacuations were ordered for their neighborhood, so the DeKovens retreated to a hotel for a few weeks, then left for a previously planned business trip.

While they were away, and as the fire receded from the area, PURE's claims team, together with smoke remediation engineers and cleaning crews, began proactively visiting the homes of all area members to assess damage and begin repairs.

While there was no damage from fire or soot, there was a very strong smell of smoke throughout the home, especially in the wine cellar. The wine, the Warhol and the rest of the art, furniture, model trains and classic cars were all assessed by the Haven Art Group and determined to be

unharmful. Haven provided several recommendations to help keep these items safe from future damage, including enhancements to the ventilation system in the wine cellar.

"As a safety measure, PURE recommended that we have the air quality inside our home tested," said Ron. "It honestly seemed excessive to me, but I agreed." The findings indicated that the wildfires left dangerous levels of carbon in the attic. "I realized in horror the health risk that we could have been living with had it not been for PURE's recommendation."

To make the home safe again, all of the insulation inside would need to be removed and replaced with new materials. "I was dreading this work. We assumed holes would be punched throughout the ceiling and walls. It was going to be a mess. But none of that happened. PURE found the least invasive means possible to minimize the disruption to us. Crews were able to get access to the insulation expeditiously, without removing any of the drywall. No holes. Nothing had to be repainted. It was incredibly easy for us, and it was all covered."

The original boxes for all of the model trains were stored in the attic at the time. They were sent to a conservator who cleaned and restored them, then packed them in hermetically sealed containers to prevent future damage.

"I can't emphasize enough how decent the people we've dealt with from PURE are. The way we were treated was incredible. I have had a few different experiences with insurance companies, all of which have been good, but never easy. I felt like PURE was representing me."

While Ron and Linda returned home just three weeks after the fire, it took a full year to fully clean and restore the home. "It was just such a relief to be home. Even the nicest of hotels doesn't compare to your home."



*PURE members Ron and Linda DeKoven
in their home in Calistoga, California.*

HOME FIRE

Perri Harcourt

Perri Harcourt's impeccable 1911-built Mediterranean-style home is filled with fixtures, furnishings and objects that are as remarkable as the home itself: ornate wood pillars covered in gold leaf that were crafted in the 16th century for a church in the Pyrenees and a beautiful hand-carved wood door that had been salvaged from a sunken German ship and restored specifically for the home. These are just two examples. But perhaps none are more remarkable than a collection of books that has been in her family for generations. Some are legacies passed down from her late husband's grandfather and his days as a prominent publisher. Others are heirlooms from even older generations—dating as far back as the 1600s—including hand-written journals documenting the family's genealogy and a Bible that had been carried over on the Mayflower.

All these cherished belongings were in jeopardy when a fire broke out just days before Christmas in 2016. The flames were contained to the living room, the same room where the heirloom books were kept in a hardwood chest. "The condition of the chest being what it was, I just assumed the books were destroyed," said Perri. "I felt emotional over the whole situation, but the thought of losing these irreplaceable pieces of our family history was just devastating."

The rest of the 10,000-square-foot home suffered considerable smoke damage, which Perri described as "an oily tar coating every surface." The smoke was so pervasive, it had also become trapped in the wall cavities, primarily due to the way and the era in which the home had been constructed.

When one of our members suffers a loss, it often takes the most talented craftsmen, artisans and engineers to restore their exceptional homes and the amazing, rare and often one-of-a-kind objects they keep. In Perri's case, a team of specialized smoke remediation engineers safely and completely removed all of the effects of the smoke without needing to gut the home; local art conservators restored the pillars, door and other unique fixtures; and an expert book curator removed all traces of smoke from the books and restored the burned bindings and leather book jackets.

Perri's loss was handled by PURE's claims professional, Andy Brotherton, who managed the reconstruction of her home, and Brandiss Payne, PURE Member Advocate®, who offered her support and took on the administrative tasks associated with the claim.

"I could not have imagined that level of support existed," said Perri. "They are miracle workers and helped me navigate a very upsetting experience with patience, empathy and understanding."

"The unique features in Perri's home made it truly extraordinary, and I could sense just how distressed she was at the prospect of losing some of her most cherished belongings," said Andy. "Yet, she displayed resilience throughout the entire process, and I'm pleased she's back to life as usual and enjoying her home in its original condition now that repairs are complete."

PURE member Perri Harcourt at her home in Santa Barbara, California.



Innovative Solutions To Help Our Members Recover More Quickly

After a fire, the off-putting odor that lingers behind indicates the presence of a variety of harmful substances. Not too long ago, the only solution to remedy this issue was to fully gut the home or the impacted portion of it. Today, new solutions exist that are far less invasive, helping us improve the claims experience for our membership. Among them is BIOSWEEP[®], which utilizes an oxidation process to break down the contaminants, allowing them to be easily cleaned away.¹ This process helped Perri and many other PURE members return home more quickly after a fire.

¹The above example does not constitute or imply an endorsement or recommendation. Members should conduct their own assessment of all vendors, products and services as appropriate for their needs.



“ALTHOUGH WE HOPE IT NEVER HAPPENS AGAIN, WE FEEL CONFIDENT OUR HOME IS READY FOR THE NEXT STORM OR WHATEVER MOTHER NATURE OR CHANCE BRINGS,” SAID MIKE.



PURE members Mike and Terry Caccavale at their home in Chatham, Massachusetts.

STORM DAMAGE

Mike & Terry Caccavale

Mike and Terry Caccavale's elegant Cape Cod home is stronger than ever. It has a new roof, which includes a waterproof underlayment to prevent future ice and water damage; 73 new low-e windows that filter out harmful ultraviolet rays, preventing fading to their rugs, furniture, art and other valuables; and all new cedar shingles that are covered by a protective seal to improve the durability of the wood. The next time the power goes out, a back-up generator will kick on automatically to maintain power to the important systems in their home. That's what happens when an innovative businessman and a talented architect assess their vulnerabilities and take decisive action after their home suffers damage in one of the worst winter storms in recent Massachusetts history.

"We had always talked about taking steps to make our home more resilient, but when you're not in the moments of a loss, you reason that you'll get to it later," said Mike. "So, as we made repairs to our home after the storm, we took it as an opportunity to make important upgrades that will better prepare us in the future."

The Caccavales were on vacation last March as they followed the news of winter storm Riley, a destructive nor'easter and "bomb cyclone" that brought rain, heavy snow and hurricane-force winds to the East Coast and knocked out the power to millions of homeowners along the way. In its path was their beach home in Chatham, Massachusetts.

Their neighbor kept them well-informed as the storm blew through and ultimately knocked down several large trees across their driveway, completely destroying the fence that surrounded their pool and tearing hundreds of roof and side shingles off the home.

Missing roof shingles allowed rain to seep in, damaging the ceiling and walls below. Making matters worse, just as that storm began to subside, reports emerged that another significant storm could impact Chatham later that week.

Winter storm Riley caused a great deal of destruction over a widespread area. As is typically the case when many people are impacted in a single event, resources are in high demand and often difficult to obtain.

"With another storm approaching, we were very concerned about the condition of the roof and what that might mean for the rest of the house," said Mike. "But PURE had a contractor at our house the same day, who sealed off the roof to prevent any additional water intrusion. That put us at ease as we struggled unsuccessfully to book ourselves on an early flight back."

The PURE membership is made up of a select group of responsible individuals who are dedicated to doing the right thing. So, as the Caccavales began to think about the repairs, they decided they had put off fortifying their home long enough. Ryan Begley, PURE's claims professional, helped them identify measures they could take that would help reduce their chances of suffering a loss in the future, and Hannah Hague, their PURE Member Advocate®, helped with scheduling and implementing the repairs.

Following an eligible loss, PURE will contribute up to \$2,500 towards members' loss prevention efforts that are intended to prevent a loss from recurring.¹ In addition to putting this money towards making their home stronger, the Caccavales invested in ways to address risks that were unrelated to their claim.

"Although we hope it never happens again, we feel confident our home is ready for the next storm or whatever Mother Nature or chance brings," said Mike. "The experience with PURE was far beyond what we expected. I cannot recall another company that has even come close to delivering this level of service."

¹If you experience a Homeowners loss greater than \$10,000, you qualify for PURE's Loss Prevention Benefit, which provides up to \$2,500 you can use towards preventing a similar loss from recurring.

CREATING An Enthusiastic Membership

Member enthusiasm continues to be one of our primary measures of success.

To help us determine enthusiasm and benchmark progress, we use Net Promoter Score (NPS®). An organization's NPS is derived by classifying its customers into three categories—Promoters, Passives and Detractors—based on their answer to one simple question: How likely are you to recommend our company to a friend or colleague? Customers respond on a 0–10 scale, where 9–10 are Promoters, 7–8 are Passives and 0–6 are Detractors.

We recently changed our approach to NPS. Rather than an annual distribution to the entire membership, we are sending the survey quarterly to a portion of the membership (25% selected at random). Each member will still receive the survey once a year, but with this new process, we can capture valuable feedback on an ongoing basis to help us continuously improve.

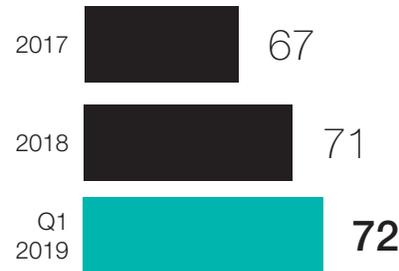
Insights collected from past surveys have helped us innovate in the way we deliver on our promise to provide an excellent member experience. For example, your feedback in past surveys has led to the introduction of new offerings like PURE Starling™ Fraud and Cyber Fraud coverage, as well as improvements to existing offerings, like a higher sublimit for jewelry on our Homeowners policy and more logical pricing on high limits of Personal Excess Liability coverage.

We take this survey very seriously and spend a significant amount of time analyzing the results. From these results, we see that the enthusiasm of our members is amplified as they experience our service, deepen their relationship with us by adding more policies and begin to see how an alignment of interests, a commitment to transparency and a strong sense of purpose drives PURE.

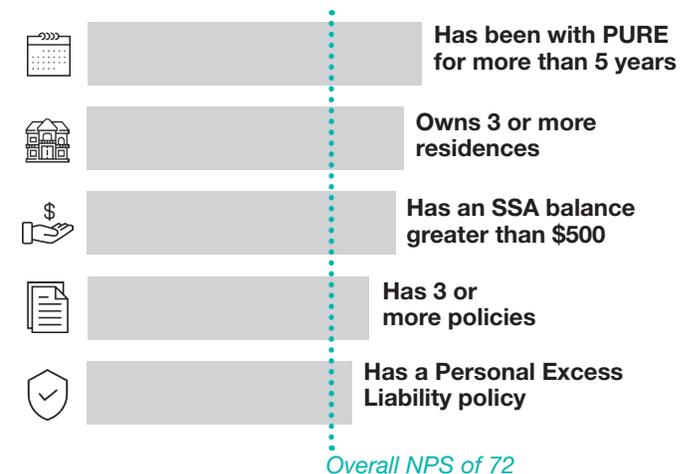
As we work towards continuous improvement, we began to look for trends that are common among our most enthusiastic members. Here are some of those findings.

NET PROMOTER SCORE

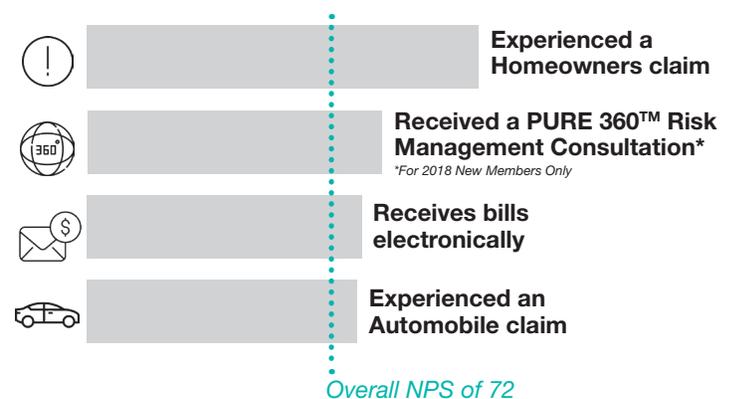
We are delighted to share that our NPS has once again increased. Our NPS of 72 reflects a highly engaged and enthused membership.



Attributes of Our Most Enthusiastic Members



Experiences of Our Most Enthusiastic Members





PURE'S RISK MANAGEMENT TEAM

Over the past year, we've made several enhancements in the area of risk management, like adding additional staff so that we can meet with even more members and utilizing data and analytics to provide personalized loss prevention advice rather than a "one size fits all" solution — all in an effort to help more members avoid the hassles and disputes that often come with a claim. Among the members who joined PURE in 2018, the NPS for those who received a PURE 360™ Risk Management Consultation is eight points higher than the score from those who did not receive a home inspection.

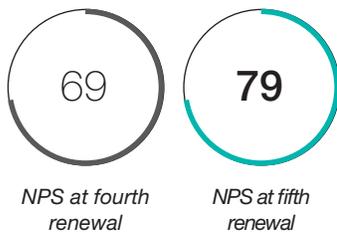
FIFTH RENEWAL

As a reminder, upon reaching the fifth renewal with PURE, members no longer pay surplus contributions as part of the cost of their insurance. This has a direct correlation to their enthusiasm; the NPS of members who reached their fifth renewal in 2018 was ten points higher than the same group in the year prior.

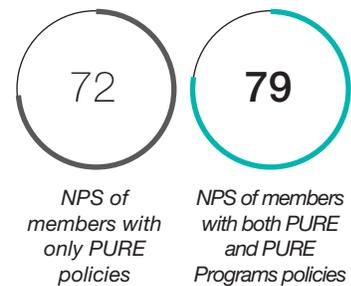
PURE PROGRAMS

While we see a higher than average NPS among members with three or more policies, that number is even greater among members who have policies with both PURE and PURE Programs, indicating an appreciation in our ability to solve more and more of their complex insurance needs.

THE NPS OF MEMBERS WHO NO LONGER PAY SURPLUS CONTRIBUTIONS



THE NPS OF MEMBERS WHO HAVE POLICIES WITH BOTH PURE AND PURE PROGRAMS

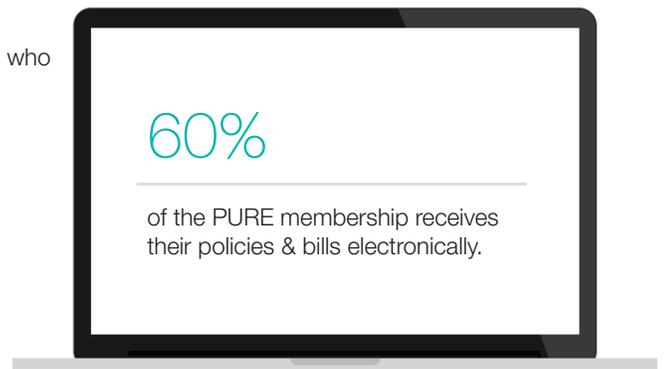


eDELIVERY

Nearly 60% of the membership receives their policy documents and bills electronically, and the NPS of those members is three points higher than those who receive paper documents.

eDelivery provides you with easy access to your policies and bills, while also reducing the environmental impacts caused by printing multiple large policy documents.

To sign up for eDelivery to safely and securely receive your bills and policy documents electronically, visit the Member Portal at pureinsurance.com/portal or call Member Services at 888.813.7873.



THE VALUE OF Independent Brokers

PURE is proud to partner with the finest independent brokers in the U.S. This network provides PURE with a powerful salesforce with community and professional relationships we simply could never replicate. Their independence provides an important value to PURE, and they allow us to maintain our underwriting discipline, as they can find alternative insurance providers who may be interested in business that doesn't fit PURE's appetite.

Your broker provides an even greater value for you. Their expertise and independence reinforce the simple idea that they exist to serve as your best advisor. We hope to earn more and more of their best business, but we expect the brokers who work with PURE to always put their clients' interests first.

We feel confident the network of PURE-appointed brokers represents one of the most elite groups of independent insurance professionals in the industry.

BROKER SPOTLIGHT: BALDWIN KRYSTYN SHERMAN

Baldwin Krystyn Sherman (BKS) is a company whose purpose and history parallels ours. Founded in 2006 (within months of PURE's inception) by three well-respected insurance industry trailblazers, Lowry Baldwin, Elizabeth Krystyn and Laura Sherman, BKS has expanded from a single location to one of the largest and most respected firms in the high net worth insurance niche. They have created a culture centered on delivering exceptional service to their clients. Along the way, they've produced organic growth through the development of a Family Office Practice and several joint ventures with realtors, wealth advisors and yacht brokers. They've also grown and increased their expertise through the acquisition of other firms and teams in other parts of the country, far from their roots in Tampa.

The Family Office Practice of BKS is led by founding partner and PURE member, Laura Sherman, an industry veteran who has known the PURE executive team for many years. Laura has been awarded the Private Client Power Broker award and named to the list of Elite Women in Insurance.

Recently, BKS earned the highest recognition in its category at the 2019 Private Asset Management Awards: Best High Net Worth Broker.

"We are proud of the passion and grit of our team members," said Laura Sherman. "We have a group who cares deeply about the service and experience we provide to clients, and who are always looking to improve and remain on the vanguard."

BKS and its employees are also dedicated to the communities they serve, supporting more than 40 nonprofit and charitable organizations, including Meals on Wheels, The First Tee of Tampa Bay and Children's Dream Fund.

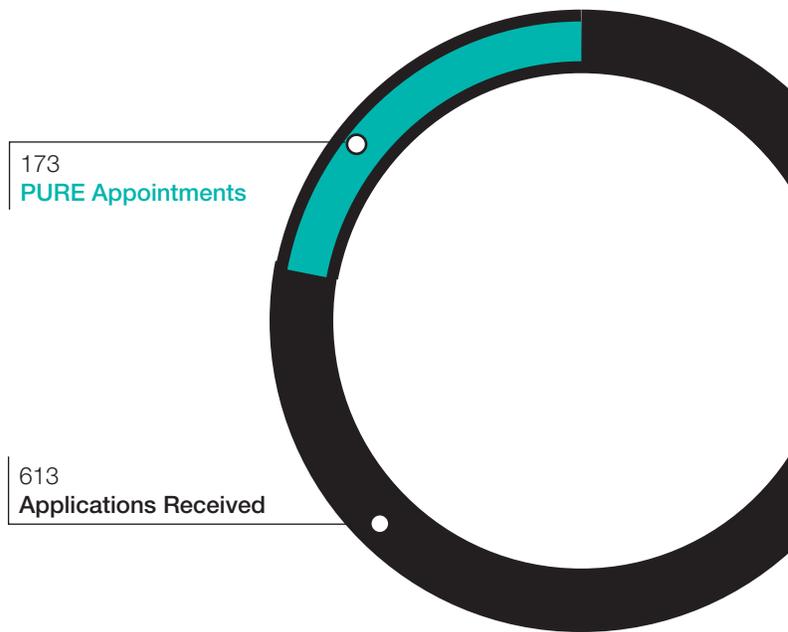
We are proud to partner with BKS and the many other exceptional brokers in our network, many of whom have also been recognized for the service and advocacy they provide to their clients.



From left to right: Jennifer Berry, Managing Advisor, Private Risk Management; Laura Sherman, Founding Partner, President of Family Office Practice; Kelly Nash, Managing Director, Private Risk Management

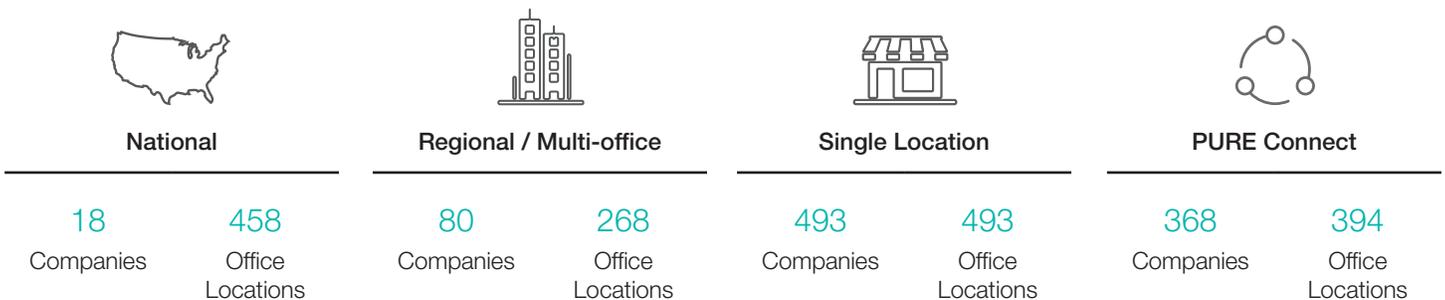
HIGHLY SELECTIVE APPOINTMENT PROCESS

Of the more than 600 brokers who applied for appointment with PURE in 2018, we accepted only 28%. Our careful selection process helps strengthen our broker partnerships and deliver a better member experience.



REPRESENTATION ACROSS THE COUNTRY

We have partnerships with independent brokers throughout the U.S. They range from very large firms with multiple offices across the country to very small, family-owned single-office operations. This gives members the flexibility to work with the broker that best suits their needs. We launched PURE Connect to become more accessible to members in areas where we were previously under-represented. PURE Connect works with brokers who align with PURE's values but do not meet the volume requirements needed to support a traditional appointment.



WATER DAMAGE

The Top Cause of Loss Among PURE Members

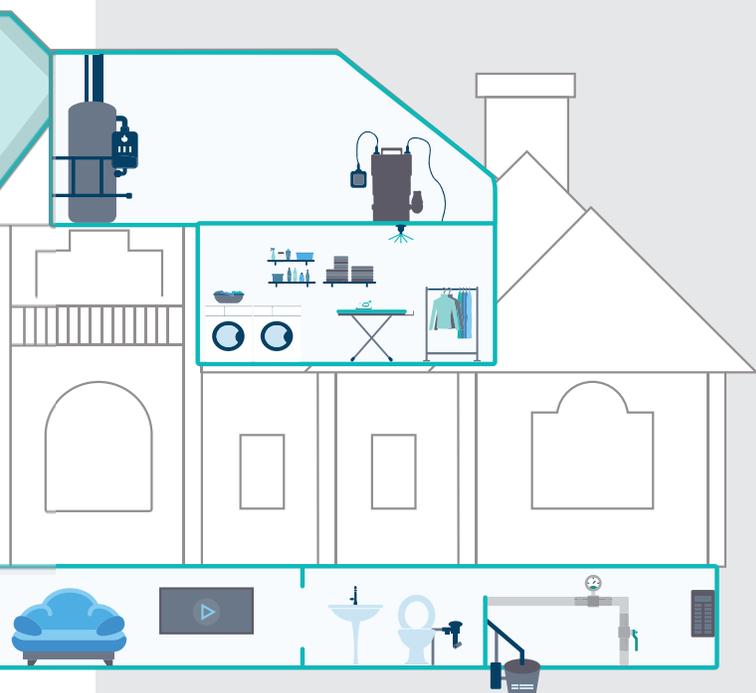
Roughly 1 in 25 PURE members experienced a claim for water damage in 2018, totaling more than \$170 million in insured losses. That's a 44% increase in water damage claim costs compared to the prior year. There are some simple explanations for this increase: Every year our housing stock gets older, making the plumbing more likely to rust or crack and water heaters more likely to fail. Members are opting more frequently for the convenience of a second-story washing machine versus the recommended bottom-level placement and rely on more and more water-connected appliances than previously.

There is also the challenge of unoccupied homes. More than half of the PURE membership insures multiple residences with us, yet relatively few have full-time caretakers. This means for an extended period of time throughout the year, many of the homes we insure are unoccupied. The severity of a claim soars when water runs for days without being noticed.

The average cost of a water damage claim among the PURE membership was \$55,000. When the origin of the claim was a burst pipe, the average cost was even higher—\$92,000. In addition to being an expensive problem for your insurance company, these claims are very disruptive to the members involved—displacing them for an average of 100 days while their homes are restored to their original condition.



IN NEARLY EVERY INSTANCE, WATER DAMAGE CAN BE AVOIDED OR SIGNIFICANTLY REDUCED.



WATER DAMAGE CLAIMS CAN BE REDUCED.

WHAT PURE IS DOING

PURE's Risk Management team is focused on reversing this trend. We are starting to use new technology that will allow you to see areas of your home that are more vulnerable, and we are utilizing data to analyze historical water losses in order to better identify members who are at a higher risk of experiencing a claim. This allows us to be more efficient in our PURE 360™ Risk Management Consultations and enables us to provide each member with more personalized advice.

WHAT YOU CAN DO

There are steps you can take to help protect your home from water damage—from taking advantage of technologies that monitor and automatically shut off water flow to properly maintaining your home's systems and hiring a caretaker to check in on your home while you are away. Some of these steps can even help you save on the cost of your insurance.

To learn more about how you can protect your home and earn policy discounts, turn to the next page. ➤

From installing loss prevention devices to scheduling regular inspections and conducting routine maintenance on your home's systems and fixtures, you can significantly reduce the likelihood of experiencing a water damage claim.

Loss Prevention

01 LEAK DETECTION

Automatic Water Shut Off System. A whole-house automatic water shut-off system monitors the flow and pressure of water in your home's pipes. When it detects an abnormality, the system automatically shuts off your home's water supply and notifies you and/or your alarm company of the issue before serious damage can occur.

| Cost: \$375–\$3,000 for the device and \$300–\$600 for the installation.¹

With the installation of this device, you are eligible for a premium discount on your Homeowners policy.

02 TEMPERATURE MONITORING

Low-Temperature Alarms. If the temperature drops below a predetermined threshold, a centrally monitored low-temperature alarm can alert you and your alarm company so that action can be taken before the temperature drops significantly, leading to a frozen and burst pipe.

| Cost: \$100–\$200 for the device and \$150 for the installation.¹

With the installation of this device, you are eligible for a premium discount on your Homeowners policy.

Smart Home Thermostats. These devices allow you to monitor and manage the temperature within your home from anywhere. If you expect to be away for an extended period of time during the winter, set your heat at a minimum of 65°F. When the temperatures outside are very cold, a setting any lower than this may not be enough to prevent pipes from freezing.

| Cost: \$95–\$500 for the device and \$150 for the installation,¹ though this can be self-installed.

03 GENERATORS

A whole-house generator will keep the critical electrical and heating/cooling systems in your home operating during a power outage, helping to prevent the costly and disruptive losses that could arise without these systems.

| Cost: \$7,000–\$30,000 for the device and the installation.

PURE members are eligible for a \$250 rebate off the purchase price of a new generator through our preferred partner.

With the installation of this device, you are eligible for a premium discount on your Homeowners policy.

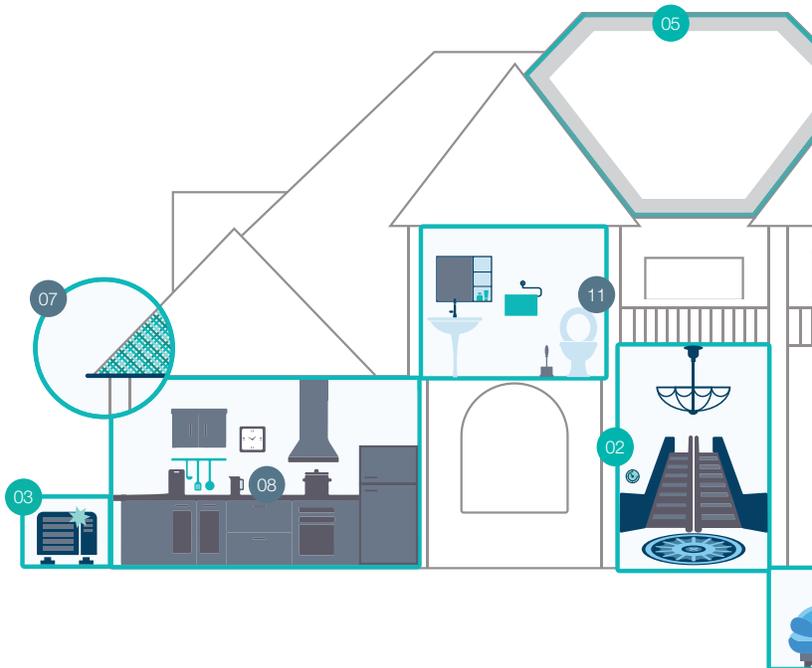
04 BACKFLOW PREVENTER

Install a backflow preventer on the main sewage outflow pipe or close to the point of exit from your home's foundation to prevent waste from moving in the wrong direction and entering your home, contaminating your water supply.

| Cost: \$500–\$1,000 for the device and \$450 for the installation.¹

Leak Detection Sensors. These sensors can be installed near any water connected appliance and are particularly helpful on those prone to leaks, such as sinks, washing machines, dishwashers and toilets. They can detect and notify you of a leak independently via a mobile app or they can work together with your automatic water shut-off system.

| Cost: \$40–\$300 for the device and \$150 for the installation¹, though this can often be self-installed.



05 INSULATION

Pipes. Avoid installing pipes on exterior walls or unheated areas of your home, like the attic, but if pipes are present in these areas, outfit them with foam-rubber insulation to prevent them from freezing when temperatures drop.

| Cost: \$3–\$5 per square foot of insulation; the installation cost varies based on the size of the project.

Living Area and Attic. Ensure your living area is adequately insulated and your attic is properly ventilated. Traditional fiberglass or cellular insulation allows small amounts of air to pass through. Spray foam insulation, on the other hand, produces an air-tight seal and offers better protection.

| Cost: \$1–\$4 per square foot of insulation; the installation cost varies based on the size of the project.

¹Installation, inspection and maintenance estimates are based on a \$150 per hour rate, which is the average hourly rate among the providers who have done work for our members. This cost varies slightly by geography and service provider.

Our team is standing by to answer questions regarding these recommendations and assist you with locating vendors in your area, scheduling appointments and more. Contact us at 888.813.7873 or service@pureinsurance.com for assistance.

Home Maintenance

06 HVAC UNITS

HVAC units are typically equipped with a drain line to help protect from leaks; however, these often become clogged with debris and rust buildup. Have your HVAC unit inspected annually to ensure drain lines are clear and that your unit is properly equipped with a drip pan, which is designed to catch leaks, and a float switch, which will turn off the unit, stopping the flow of water if a leak occurs. If a drip pan or float switch is not present, have one installed.

Cost: \$150-\$300 per inspection;¹ \$30-\$100 for a drip pan, \$50 for a float switch and \$150 for the installation.¹

07 ROOFS

Hail, wind and other severe storms can damage roofing materials, which can lead to water intrusion. If you have concerns over the condition of your roof, PURE can assist you with locating reliable service providers in your area who can conduct an inspection. If your home was in the path of a severe storm, you may receive a phone call from a PURE Member Advocate[®] offering a complimentary roof inspection to help identify potential damage.

Cost: \$200 per inspection; may be complimentary in the event of a severe storm.

08 APPLIANCES

Inspect appliances regularly for leaks and have them serviced annually to improve their efficiency and extend their lifetime. Many appliance repair companies offer inspection and maintenance programs. We are also partnering with technology providers to identify tools that can proactively notify you in the event of a recall.

Cost: \$200-\$500 per inspection.¹

09 WASHING MACHINES

Washing machines are typically equipped with rubber hoses, but these can wear over time. Instead, install braided stainless steel hoses, which are more resistant to bursting. However, even these should be replaced every 5 years.

Cost: \$8-\$25 per hose and \$150 for the installation.¹

10 WATER HEATERS

Traditional water heaters are prone to bursting when they reach the end of their useful life, at about 8-12 years. Tankless heaters have no set age at which they are expected to fail and do not store water in a central location. Schedule regular maintenance to ensure your water heater is working properly, and if your home is equipped with a traditional water heater, have it inspected after 8 years to determine if it needs to be replaced.

Cost: \$150 for maintenance and inspection;¹
\$3,000-\$7,000 for a tankless water heater.

11 TOILETS

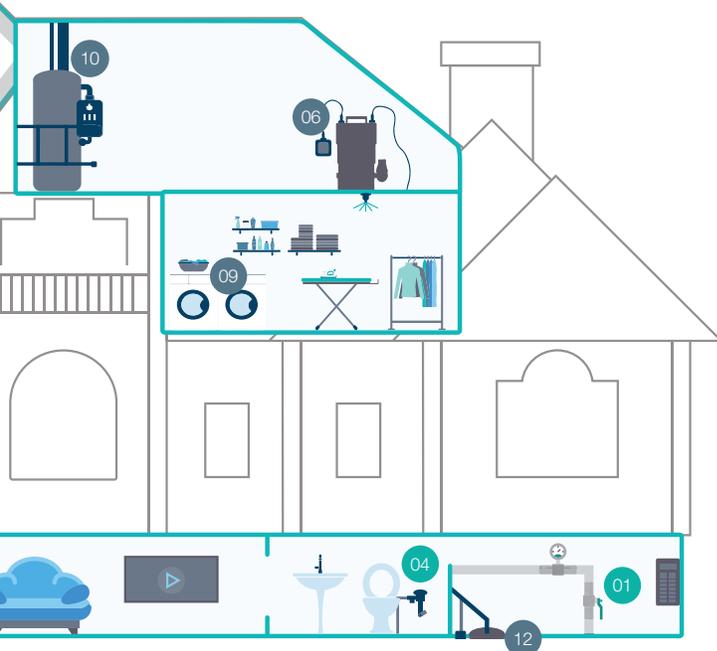
Toilets are typically connected to water supply lines with plastic nuts, but these can wear and crack over time. Replace them with metal, corrosion-free nuts. Similar to washing machines, standard toilet hoses should also be replaced with braided stainless steel hoses.

Cost: \$4-\$30 per nut and \$150 for the installation.¹

12 SUMP PUMPS

Sump pumps remove water from basements which may flood during a storm. These should be connected to a backup generator, equipped with an alarm to notify you if the water level has become too high, and tested annually to be sure they are in working order in the event of a flood.

Cost: \$150 per inspection.¹



Protect Your Home While You Are Away

If you plan to be away from home for an extended period of time, enlist the help of a trusted caretaker to check in on your home at least once a day during mild weather and twice a day during colder months.

We encourage you to perform a background check before hiring anyone who will have access to your home and personal property. Complimentary background screening services are available to you as a PURE member.

If you have a full-time live-in caretaker, you are eligible for a discount on your Homeowners policy.

WILDFIRE

Records Set in 2017 Were Quickly Broken in 2018

Along the hillside above Santa Barbara, heavy rains gave way to catastrophic mudslides that devastated the communities below. Twenty-one residents lost their lives when massive rocks and debris cascaded through Santa Barbara at an unbelievable velocity. Hundreds of beautiful homes were destroyed or badly damaged. Homeowners insurance policies, including the generous coverage afforded by PURE, typically have limitations on flooding, surface water and earth movement. However, in this case, it was decided that the proximate cause of the damage was actually the Thomas Fire that was extinguished in December 2017. The fire had left the hillside burned and barren with no defense for the subsequent rains. For the PURE members who suffered losses from the aftermath of the Thomas Fire, the cleanup from mud was as complicated and tedious as anything we had seen before. And that was just one month into 2018.

In July, a PURE member in Redding, California, lost their beautiful home in the Carr Fire. The fire had burned up to the member's property line, but it is believed that the massive amount of embers and floating fire debris were responsible for igniting the home.

In October, the Camp Fire broke out along Camp Creek Road near Paradise, California. It charred nearly 240 square miles, caused damage estimated to be between \$11 billion and \$13 billion, and claimed at least 85 lives. More than 18,800 structures were destroyed—that's more than the cumulative damage of every single California wildfire from 2000 through 2016.

The dry conditions, paired with high winds, created record-setting insurance losses in communities that are not among the most populated. These losses only serve to remind us of the potential devastation and financial loss that could occur if a wind-fueled firestorm broke out in one of the densely populated communities that is home to so many PURE members.

In November, a series of fires broke out in the Canyons between Los Angeles and Ventura Counties. From Thousand Oaks to Calabasas and down to Malibu, tens of thousands of spectacular homes were at risk. The Hill Fire was extinguished rather quickly, but the Woolsey Fire destroyed more than 1,000 structures and insurers (especially those who serve the high-value home market) will eventually pay billions in claims.

In the end, many of our members were forced to evacuate, many homes suffered smoke damage and some lost fencing or storage buildings. But we are proud to report that our membership did not suffer any total losses from the Woolsey Fire.

Our underwriting strategy in California has been clear from the beginning and builds on the recognition that California is the largest and most affluent state in the country. We need not take oversized risks in order to add to our overall membership or further our diversification efforts. We obtain a wildfire score from a reputable data source and then apply our own proprietary method of underwriting that takes into account the density of a community and the availability of multiple access roads (believing that fire departments will prioritize areas where there are more residences impacted and less risk to their crew). We evaluate the actual distance to the wildlands and other factors, including an assessment of the brush and vegetation nearby, which would ultimately become fuel for a fire. Hopefully, our underwriters maintain their discipline and select only responsible members who take further care to maintain clearance around their homes and do the little things that make a big difference in protecting against a wildfire.

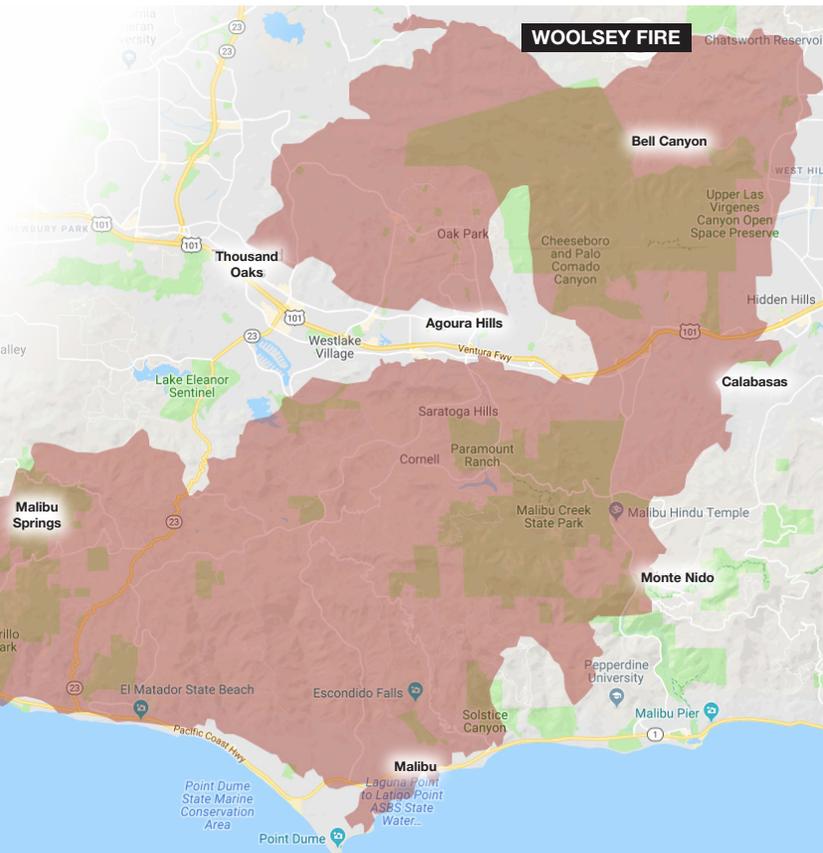
Disciplined underwriting is a great start, and then our risk management team, claims professionals, colleagues from the Haven Art Group and our wildfire mitigation partners stepped in and worked tirelessly to help individual members prevent further damage.

THE CALIFORNIA INSURANCE MARKET

California has become a very difficult market for home insurance companies. Some insurers have scaled back their appetite in the state, while other smaller companies have been forced to close altogether, leading to an insurance availability crisis in parts of the state. Over the long term, an insurance shortage in California could have serious implications on the housing market and the overall economy.

PURE is not a company that pursues high-risk business, even if the increased premiums might make it a better bet. While this is in the best interests of the membership, it leaves those members who also own higher risk properties (in addition to what they insure with PURE) few options for coverage and none that provide the level of service to which they are accustomed. In response, the parent company of PURE's Attorney-in-Fact created a new business that combines outside capital willing to take riskier bets with PURE's high-touch service. PURE Programs is a Managing General Underwriter (MGU) and offers a platform for high-value homes with extraordinary risks that can't be placed in the admitted market. We started serving families in Florida with homes on barrier islands and those on short-term rental programs, like Airbnb. We expanded into other states and to insure major construction or renovation projects, and in 2018, PURE Programs launched in California and has provided valuable capacity (albeit at a much higher price) with a foundation of great service. PURE Programs has become an important solution for those who live in areas where the exposure to brushfire is too great for an admitted insurance carrier.

THE WOOLSEY FIRE: A GREAT TEST FOR PURE



RISK MANAGEMENT ADVICE

PURE is dedicated to helping our members reduce their risk and avoid claims. We will continue to research and test new products and solutions that can help reduce the amount of damage arising from a wildfire.



Maintain defensible space.

Defensible space around your home's perimeter is critical. This tactic can slow or stop the spread of wildfire and help to prevent spot fires caused by flying embers. It does not mean you have to forgo a beautifully landscaped yard; defensible space involves strategically clearing and placing vegetation in order to create a buffer between your home or other structures on your property and the grass, trees, shrubs or any wildland area that surrounds them.



Prevent embers from entering your home.

Cover openings like chimneys and stovepipes with metal mesh to stop flying embers. Avoid fiberglass or plastic mesh because these can melt or burn. For vents in eaves, however, metal mesh does not provide sufficient protection; use baffles in these areas instead. We also recommend that you place weather stripping around and under your garage door.



Prevent smoke from entering your home.

Smoke damage in the home was the most common cause of loss associated with the 2018 wildfires. Currently, the best mitigation tactic is to close—and keep closed—all windows and turn off your HVAC system.



Consider installing a fire protection system.

A permanent exterior fire protection system can help to guard against wildfires at all times. Options include water-based, foam-based and gel-based systems. Some systems have pre-treatment capabilities in addition to a sensor-based emergency response, and many can alert you when the system is activated.

For assistance with implementing these recommendations, locating vendors in your area or scheduling appointments, contact us at 888.813.7873 or service@pureinsurance.com.

Children are increasingly becoming the target of cyberattacks.

Internet-connected devices are getting into the hands of younger children, and their naiveté and susceptibility to influence makes them a prime target for cyberattacks. From free mobile apps like Fruit Ninja to viral videos on YouTube, even the most innocent content can contain privacy risks and provide cybercriminals with an entry point into devices shared between family members. To learn more about how you can better protect your kids, home network and your family's online identity, download "Cyber Crime and Privacy Risks in Free Mobile Apps for Kids," a report developed by one of PURE's cybersecurity partners, Rubica, at rubica.com/cyber-safety-for-kids.



While meeting with his financial advisor, a PURE member was asked to share details of the significant overseas investment he had just made. While such an investment was not out of the ordinary for our member, he hadn't made a request of this nature in some time so he was confused by the question. As it turned out, our member's email had been hacked, giving a cybercriminal all the necessary personal information and line of sight into our member's writing style and habits. With this, the cybercriminal successfully impersonated our member and requested the advisor wire \$1 million to an overseas account.



A PURE member was reserving a vacation home for an upcoming family getaway through a popular online rental website. The booking process was quick and easy, and the last step was to issue payment, so our member thought nothing of it when she received an email with payment instructions. Unbeknownst to our member, her email account had been hacked and the payment request she received was not from the rental website but instead from a cybercriminal. It wasn't until after she wired \$11,000 to the account on the payment instructions that she discovered what had happened.

CYBER

Protecting Against Cyber Threats

Criminals are now 19 times more likely to enter your home through your computer or connected devices than they are to break in through your doors or windows. For perspective, in 2017, 16 million Americans were the victim of identity fraud, while less than 840,000 households were burglarized.¹

The most common motive for attacks remains financial gain, and your wealth and the complexity of your lifestyle makes you a very appealing target. You may own several internet-connected devices; use public Wi-Fi when traveling; employ domestic staff who help care for your children, manage your finances and maintain your homes; or have children who frequently stream videos and play games online. Each of these complexities creates a potential vulnerability and increases the attack surface for a thief to focus on.

As connectivity spreads into every corner of your personal and professional life, it becomes more and more critical for you to take precautions to protect yourself against the ever-evolving threat of cyberattack. From enabling multifactor authentication and establishing protocols for dealing with money transfers to protecting your home network, there are several steps you can take to safeguard your family's personal information. You can learn more about the risks and find actionable advice to help keep your family safe in our white paper, "Cybersecurity and Advanced Techniques to Safeguard Your Data," which you can download at puresituationroom.com/cyber.

Because no one is fully immune to the threat of fraud and cybercrime, we introduced PURE Starling™ Fraud and Cyber Fraud Coverage, an optional endorsement that can be added to your Homeowners policy. With limits of \$100,000, \$250,000 and \$1 million, it offers protection against financial losses due to fraud, whether it is committed online or off. The coverage also provides you with access to third-party resources and subject-matter experts to help you recover if you become the victim of cyber extortion or a system attack.

Since launching PURE Starling in 2017, we've seen firsthand the financial and emotional trauma felt whenever a member falls victim to fraud. The financial loss is often followed by embarrassment and fear of a repeat attack.

Below are a few real examples from our membership to illustrate how sophisticated and sinister these attacks have become, and just how easy it is for even the smartest person to fall victim. In each of these examples, PURE Starling helped to reimburse all or some of the funds the member was defrauded.

¹Federal Bureau of Investigation's Internet Crime Report.



A PURE member checked his email to find an invoice he was expecting for work done to his property, as well as a request for funding from a company he frequently invests in. Having typically transacted with these businesses via email, the member processed the payments without question. When he later received follow-up requests for payment, he discovered his money was never received. It turned out a criminal had hacked into his email account and altered the payment instructions, which the member unknowingly followed, issuing payments totaling more than \$30,000 to fraudulent accounts.



Protect against cyber threats.

To learn more about PURE Starling, visit pureinsurance.com/starling. To add this coverage to your account now, visit pureins.co/starling-coverage or contact your independent insurance broker.

COMMUNITY

Involvement

Our employees are passionately involved in improving the communities in which we live and work. We align ourselves with philanthropic organizations who share our values and who truly make a difference in the lives of those they serve. From volunteering at local food pantries throughout the country to mentoring youth of low-income families and supporting hospitals and cancer research organizations, here is a closer look at some of the organizations we supported in 2018:

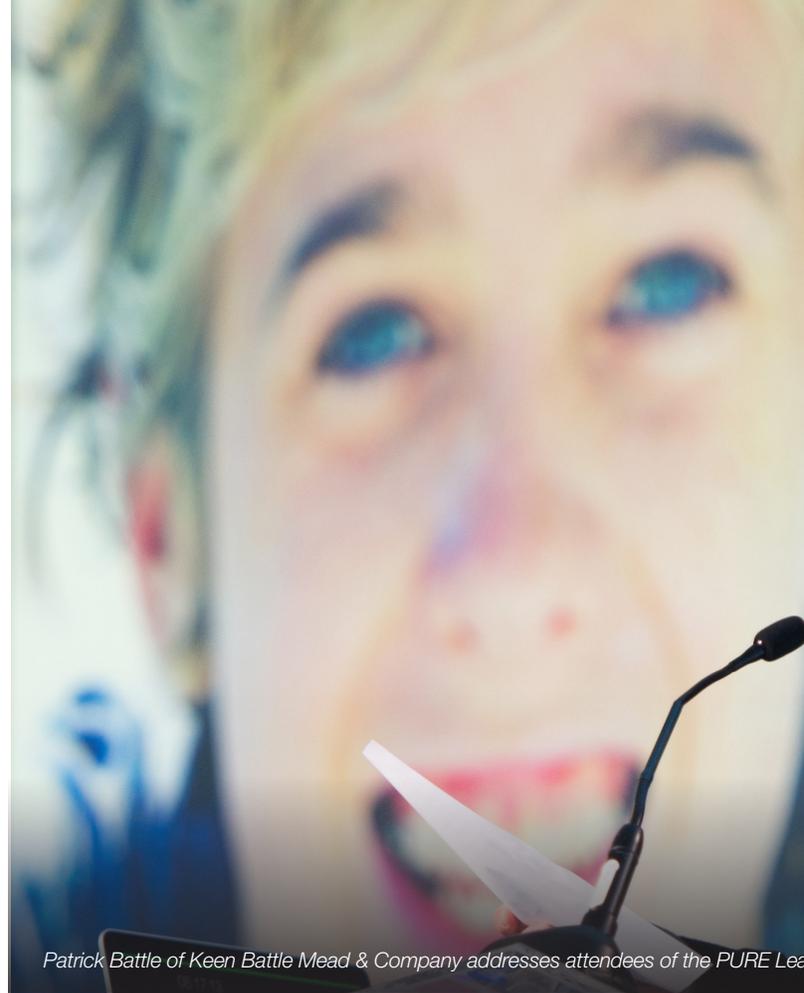
ST. BALDRICK'S FOUNDATION

Founded by three insurance industry executives in 1999, St. Baldrick's Foundation has grown to become the largest private (non-government) provider of funding for childhood cancer research. Primarily through head shaving events, the foundation has raised more than \$258 million in research grants.

Cancer has impacted the lives of so many people in our network, and we are proud to be a long-standing supporter of this organization. We continued our efforts in March 2019, when we held our fifth annual head-shaving fundraiser at the PURE Leadership Forum. Four employees and two of our partner brokers shaved their heads this year, helping to raise pledges of \$91,000. This brings our total to 30 shaved heads and nearly \$300,000 raised.

During the event, Patrick Battle, Partner and Risk Advisor at Keen Battle Mead & Company, an independent insurance agency based in Florida, graciously shared the story of his late son, Patrick Battle Jr., who was diagnosed with Osteosarcoma, a very rare bone cancer, and passed away last year at the young age of 16. Patrick spoke of his son's courage and positivity and of how his faith and community helped his family through this unimaginable time in their lives.

Funds raised during this year's event will be donated in honor of Jennifer Romanowski and Allison Haupt, two important members of the PURE team who passed away in 2018. Jennifer worked at the PURE Group for more than six years as an executive assistant and was beloved by everyone who knew her, including her idol-turned-friend Josh Groban. Allison was the wife of Colin Haupt, SVP of Employee Engagement for the PURE Group. She was also a devoted mother to their three children and had a very accomplished career in finance.



Patrick Battle of Keen Battle Mead & Company addresses attendees of the PURE Leadership Forum.



United Way Board Chair June K. Blanc, Gala Honoree Ross Buchmueller, President and CEO Alana Sweeney, and Immediate Past Chair David Yawman, Esq.

COMMON PANTRY

New York Common Pantry reduces hunger and promotes dignity, health and self-sufficiency through a variety of programs that aim to establish long-term independence for those they serve. They provide fresh produce and hot meals, as well as resources and tools to encourage balanced food choices. Our New York team volunteered over 100 hours with this organization in 2018, and Mike Verrier, New York Underwriting Specialist, accepted a position on the organization's Junior Board.



Leadership Forum.



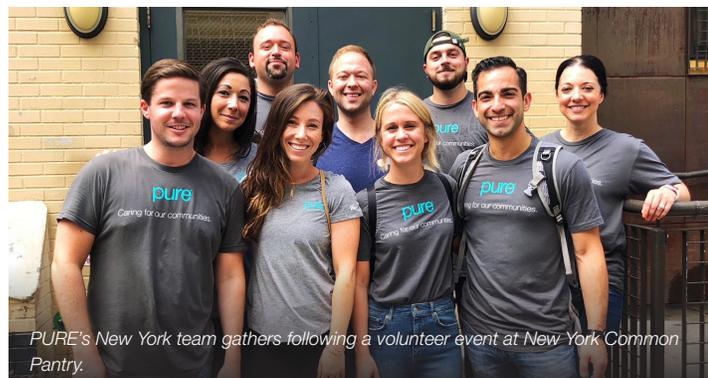
The junior field gathers in front of the scoreboard at the 2018 PURE Insurance Championship.

THE FIRST TEE

The First Tee impacts the lives of young people by promoting character development, life skills and values through education and golf. In addition to PURE's sponsorship of the PURE Insurance Championship, Impacting The First Tee, many of our employees support chapters throughout the country with donations of time and money, like our New York team helping The First Tee of Syracuse to purchase a golf simulator so that the kids can practice year-round, and our Scottsdale team helping The First Tee of Phoenix raise more than \$20,000 in scholarship funds. Two PURE employees have even taken seats on chapter boards: Mike Taylor, Chief Claims Officer, is on the Board of Trustees for The First Tee of the Jersey Shore, and Jessica Furrow, VP, Southern California Regional Executive, sits on the Board of Directors for Pro Kids—The First Tee of San Diego.

THE UNITED WAY

The United Way improves lives by mobilizing the caring power of communities around the world to advance the common good. Our corporate headquarters in White Plains, New York, continued our long-standing support of the United Way of Westchester and Putnam (UWWP) through a variety of initiatives aimed at providing job skill training, financial education and personalized counseling for chronically unemployed or underemployed adults. Many employees also serve in positions on the UWWP's board, Campaign Cabinet, Women's Leadership Council and Emerging Leaders Society, and our President and CEO, Ross Buchmueller, was honored at their annual gala for his long-standing support. Thanks to the generosity of our brokers and business partners, the gala drew nearly 350 people and raised more than \$510,000—the largest amount raised in a single event in the history of the organization.



PURE's New York team gathers following a volunteer event at New York Common Pantry.

HERE ARE SOME OF THE OTHER GREAT ORGANIZATIONS WE SUPPORT.



PURE INSURANCE

Championship

For the past two years, PURE has served as the title sponsor of the PURE Insurance Championship, Impacting The First Tee, a longstanding PGA TOUR Champions event held annually at the famed Pebble Beach Golf Links. This tournament is unlike any other on the TOUR: it brings together golf legends to play alongside amateurs and juniors from The First Tee, creating a unique experience for all involved. Sponsoring an event of this caliber helps drive brand awareness for PURE and provides an opportunity to engage with members, top brokers and business partners, network with prospective members and give back to our communities.

DRIVING BRAND AWARENESS FOR PURE

In 2018, there were over 3 million views and a 20% increase in ratings on the Golf Channel for the PURE Insurance Championship. And, when Ken Tanigawa made a remarkable 35-foot eagle putt on the 18th hole to come from behind and earn his first professional tournament title, the PURE Insurance Championship was seen on news and highlight shows across the country.

The fact is that as title sponsor of the PURE Insurance Championship, we benefit from awareness year-round as advertising, media and public relations opportunities present themselves nearly every day—like when the 2017 Champion, Bernhard Langer, was named PGA TOUR Champions Player of the Year on the same day that the 2018 PURE Insurance Championship winner was named Rookie of the Year.

Of course, media coverage is significantly amplified the week of the tournament, as the event is broadcast both live and in replay on the Golf Channel. Visits to pureinsurance.com are never higher than tournament week at Pebble Beach.

ENGAGING OUR MEMBERS, BROKERS AND OTHER IMPORTANT RELATIONSHIPS

We welcomed hundreds of members and business partners at our hospitality wharf located at the picturesque 18th hole of Pebble Beach, along with an elite group of some of the most influential business leaders from around the country who make up the amateur field.

In addition to our wharf hospitality, we offered our members Honorary Observer spots that allowed them to walk the course with some of their favorite players and watch play from inside the ropes.

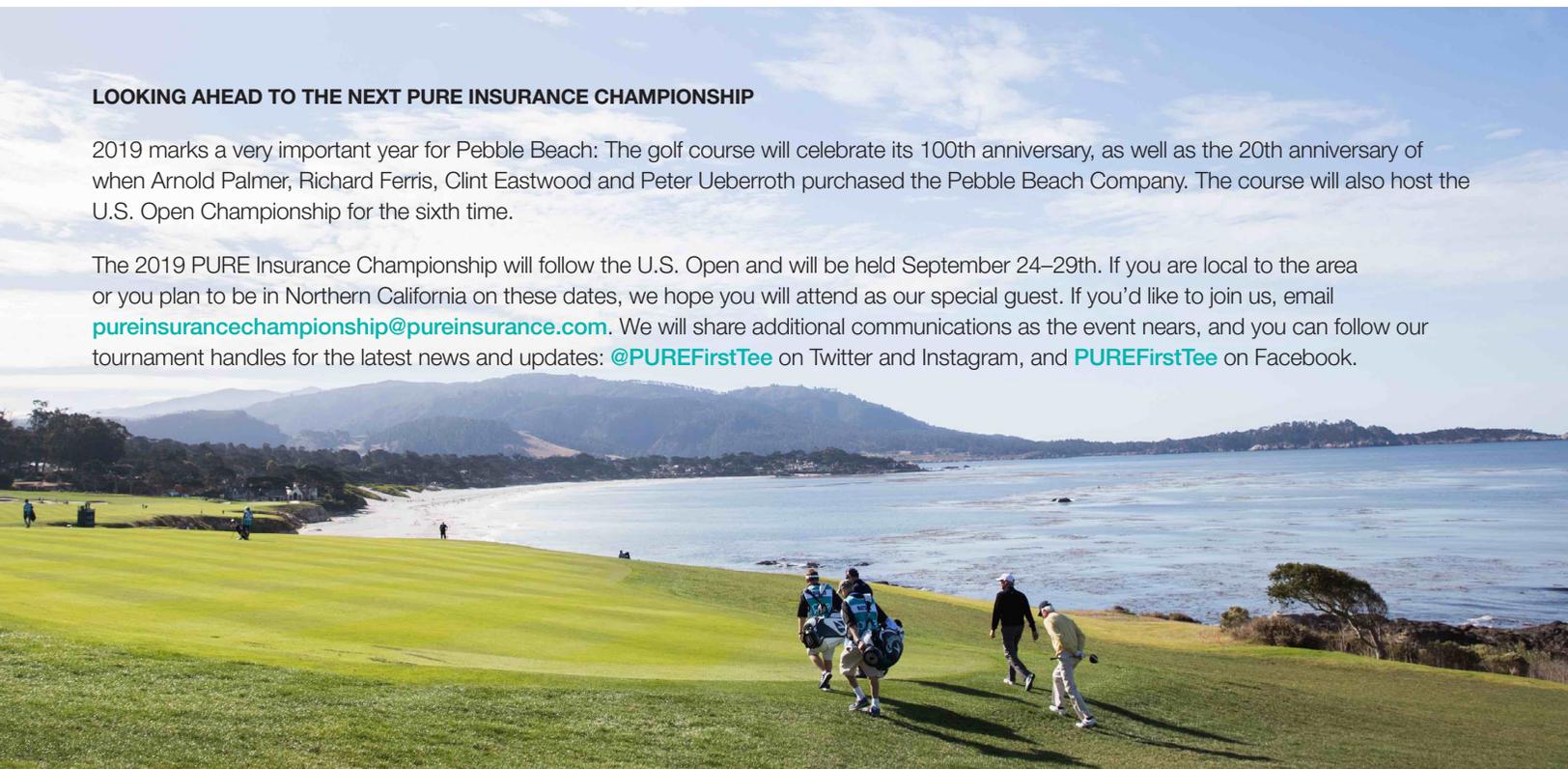
“WALKING WITH BERNHARD LANGER WAS THE CHANCE OF A LIFETIME AND A DREAM COME TRUE. THANK YOU TO PURE FOR MAKING IT HAPPEN.”

- PURE Member, San Francisco

LOOKING AHEAD TO THE NEXT PURE INSURANCE CHAMPIONSHIP

2019 marks a very important year for Pebble Beach: The golf course will celebrate its 100th anniversary, as well as the 20th anniversary of when Arnold Palmer, Richard Ferris, Clint Eastwood and Peter Ueberroth purchased the Pebble Beach Company. The course will also host the U.S. Open Championship for the sixth time.

The 2019 PURE Insurance Championship will follow the U.S. Open and will be held September 24–29th. If you are local to the area or you plan to be in Northern California on these dates, we hope you will attend as our special guest. If you'd like to join us, email pureinsurancechampionship@pureinsurance.com. We will share additional communications as the event nears, and you can follow our tournament handles for the latest news and updates: [@PUREFirstTee](https://twitter.com/PUREFirstTee) on Twitter and Instagram, and [PUREFirstTee](https://www.facebook.com/PUREFirstTee) on Facebook.





Pro and Junior winners of the 2018 PURE Insurance Championship, from left: Ken Tanigawa and Matthew Sutherland of The First Tee of Greater Sacramento.

GIVING BACK & COMMUNITY ENGAGEMENT

Together with the AT&T Pebble Beach Pro-Am, the PURE Insurance Championship helps raise millions of dollars each year to support hundreds of nonprofit organizations. Among them, of course, is The First Tee, whose mission is to impact the lives of young people by providing educational programs that build character, instill life-enhancing values and promote healthy choices through the game of golf.

Being selected for the junior field is an incredible achievement for the young men and women from The First Tee, and it's a testament to their talent, drive and character—both on and off the course. Congratulations to Matthew Sutherland from The First Tee of Greater Sacramento, and his uncle, PGA TOUR Champions professional Kevin Sutherland, who finished 16-under par and clinched the Pro-Junior title.

Learn about PURE's connection to The First Tee chapters throughout the country on page 36.

We are very proud of our connection to this tournament and appreciate all of the hard work done by our partners at the Monterey Peninsula Foundation, PGA TOUR Champions, the Pebble Beach Company and The First Tee in creating this great event. We look forward to continuing our partnership and even greater outcomes in the years ahead.

“PURE IS A YOUNG, VIBRANT COMPANY. SINCE TAKING OVER AS TITLE SPONSOR OF THIS EVENT, PURE HAS GROWN THE ENTHUSIASM AROUND THIS TOURNAMENT AND HAS TREMENDOUSLY IMPACTED THE LIVES OF THE KIDS WHO PARTICIPATE,”

said Peter V. Ueberroth, owner and Co-Chairman of the Pebble Beach Company.

He added, “It’s one of the best events we have here at Pebble and has become an exciting weekend to look forward to each year.”

From left: Ross Buchmueller, President and CEO of the PURE Group and Peter Ueberroth, Owner and Co-Chairman of the Pebble Beach Company during an interview with Whit Watson on the Golf Channel.



AWARDS & Recognition

We have viewed the delivery of the best service in the industry as a journey without a destination; we are always searching for new ways to innovate and serve our members better. When PURE began 13 years ago, there was one clear leader in our industry. Years later, that carrier would consolidate with two other major competitors. Today, PURE holds the premier awards for best in our category from the wealth management industry's most respected organizations: Best Insurance Underwriter by The Family Wealth Report for the fourth consecutive year and Best High Net Worth Insurance Company by Private Asset Management for the second consecutive year. These awards are important marks of pride to our employees and the independent brokers who introduced us to you. We hope that you too will take pride in these awards, feeling that you have made the right decision in selecting PURE as your insurance carrier. While we appreciate all of the recognition we've earned throughout the year, these are just milestones along the way. There is always more to do.



Best High Net Worth Insurance Company

Private Asset Management
Best High Net Worth Insurance Company
2018 | 2019



The Inc. 5000, Inc. Magazine
America's Fastest-Growing Privately Held
Companies



BEST INSURANCE UNDERWRITER

Family Wealth Report
Best Insurance Underwriter
2016 | 2017 | 2018 | 2019



The Inc. 5000, Inc. Magazine
Best Workplaces



Entrepreneur 360
Best Entrepreneurial Companies in America

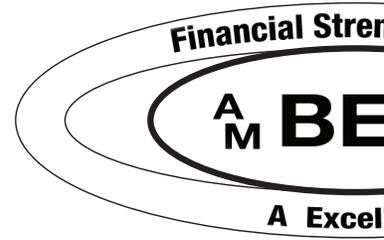


Fortune | Great Places to Work
Best Workplaces, Financial Services & Insurance

FINANCIAL STRENGTH

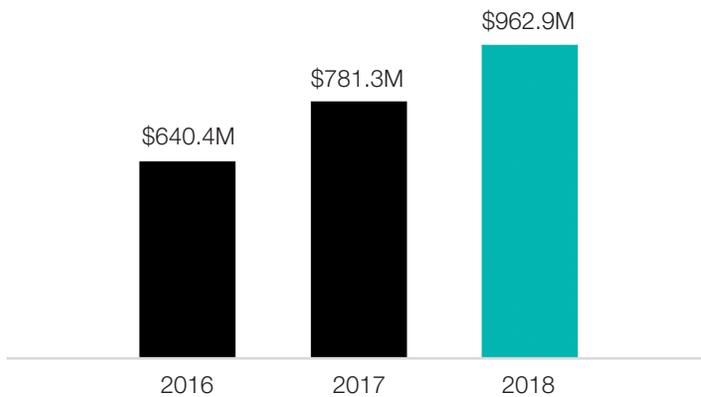
A.M. Best Rating Upgrade

A.M. Best, one of the insurance industry's leading rating agencies, upgraded the Financial Strength Rating for members of the PURE Group of Insurance Companies, including Privilege Underwriters Reciprocal Exchange, to A (Excellent) with a Stable outlook. Rating agencies are often reluctant to upgrade growing companies under the belief that growth brings uncertainty and puts a strain on operations. This rating reflects PURE's strong capitalization, highly conservative reinsurance program, management's track record and a strong investment portfolio.



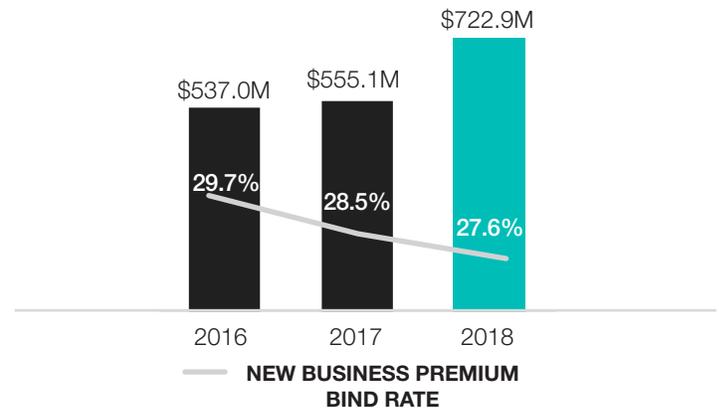
Gross Written Premiums

PURE continues to experience steady organic growth in gross written premiums.



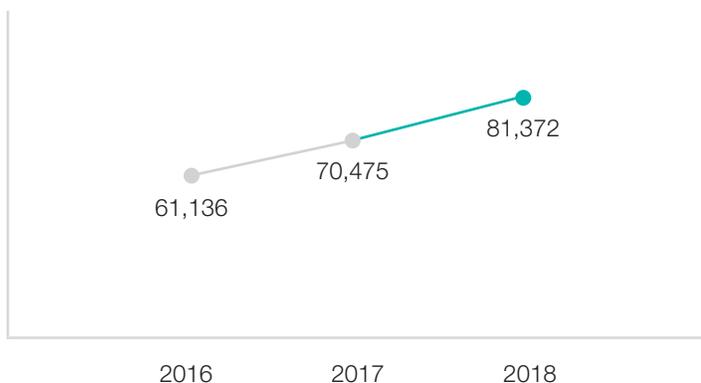
Quoted Premiums

The demand for PURE has never been greater. Historically, the year-over-year increase in quotes issued has been in the single digits, but in 2018, it grew by more than 30%—while the percentage of new business we chose to bind declined. This means there is more awareness of the PURE brand, and our underwriters can be even more selective in who they allow into the membership.



The PURE Membership

As of the end of 2018, the membership comprises more than 80,000 responsible, successful individuals and families.



Assets

Both PURE and the PURE Group of Insurance Companies (the combination of PURE and PIC) have experienced steady growth in admitted assets year-over-year.

PURE ASSETS		
\$410.8M 2016	\$568.0M 2017	\$694.4M 2018
PURE GROUP ASSETS		
\$670.2M 2016	\$886.2M 2017	\$1,002.8M 2018

The Impact of Surplus Contributions

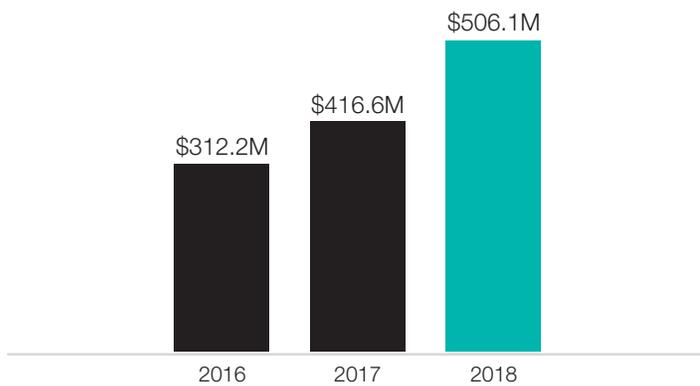
Surplus contributions are included in a member's cost of insurance for their first five years of membership. These funds, which equal a small percentage of a member's premiums, provide a steady flow of capital to PURE, supporting its financial strength and creating a favorable cost of capital. This lower cost of capital contributes to PURE's highly competitive rates.



Policyholder Surplus

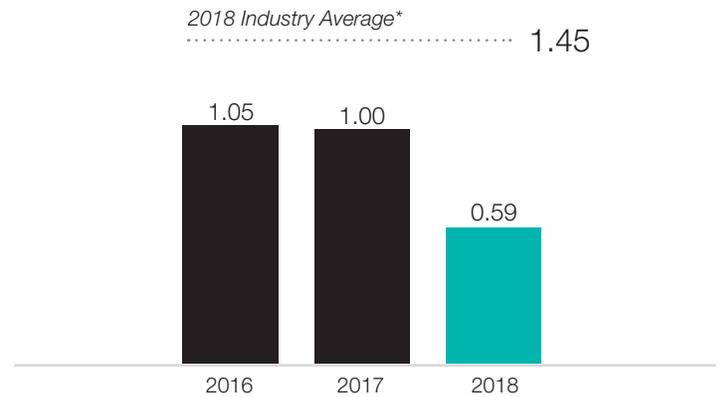
Policyholder surplus represents the capital that allows an insurer to meet all of its obligations beyond premiums, reserves and reinsurance.

In 2018, the PURE Group of Insurance Companies surplus grew by more than 21%.



Net Written Premium to Surplus Ratio

The PURE Group of Insurance Companies grew surplus at a faster rate than premiums, which lowered our premium to surplus ratio once again. This reduction is enhanced by a new comprehensive whole-account pro-rata reinsurance program that was introduced in 2018. The PURE Group of Insurance Companies maintains a lower surplus ratio than is typically seen among personal lines insurers.



*2018 Industry Average is defined as the weighted average of net written premium to surplus ratio for the top ten U.S. Homeowners and Automobile carriers—defined as carriers with at least 80% of domestic writings in Homeowners and/or Personal Automobile lines.

PURE's Combined Ratios

An insurer's combined ratio measures losses and expenses against premium to help evaluate underwriting results. A combined ratio below 100% typically indicates profitability. However, a growing insurance company may show statutory underwriting losses even with a combined ratio under 100%. Management monitors three combined ratios to evaluate PURE's operating performance.

PURE's 2018 combined ratios, both with and without the impact of catastrophe-related claims, are presented below.

RATIO	EQUATION	PURE	EXCLUDING CATASTROPHES
Gross Combined Ratio Indicates whether or not an insurer is collecting enough premium to cover its claims obligations and operating expenses prior to the cost/benefit of reinsurance.	$\frac{\text{Total Claim Costs}}{\text{Total Premium Earned}} + \frac{\text{Total Operating Expenses}}{\text{Total Premium Written}}$	103.3%	91.1%
Net Combined Ratio Indicates profitability net of the cost/benefit of reinsurance. It reflects items included in the statutory P&L.	$\frac{\text{Net Claim Costs}}{\text{Net Premium Earned}} + \frac{\text{Net Operating Expenses}}{\text{Net Premium Written}}$	102.6%	85.7%
Adjusted Combined Ratio Adjusts the Net Combined Ratio to reflect the benefit of member surplus contributions, which go directly to PURE's balance sheet. We believe that this measure provides the most accurate picture of PURE's claims-paying ability and overall economic performance in any given year.	$\frac{\text{Net Claim Costs}}{\text{(Net Premium Earned + Member Surplus Contributions)}} + \frac{\text{Net Operating Expenses}}{\text{(Net Premium Written + Member Surplus Contributions)}}$	80.4%	66.7%

REINSURANCE

Reinsurance plays an important role in the financial strength and claims-paying ability of PURE. We enter into these reinsurance contracts (known as treaties) in order to reduce the volatility of our results and support prudent growth. Reinsurance treaties provide several types of protection, including:

Per-Risk Pro-Rata. Also known as *quota share*, these are proportional treaties in which the reinsurer agrees to share in an equal percentage of premiums and losses over a defined time period. In 2018, PURE changed how its quota share program is placed. Before, PURE held a separate quota share contract for the Homeowners, Personal Excess Liability, Collections and Watercraft lines of business. The new structure now combines all of these lines of business (plus Automobile) on a single whole account quota share. This format should provide a more stable long-term result for our valued reinsurance partners by reducing the volatility of individual lines and provide PURE with more sustainable capital support.

Per-Risk XOL. PURE purchases reinsurance to limit the potential impact of any one large loss on our highest valued homes and watercraft, as well as collections of fine art, jewelry and certain automobile collections. Under these treaties, reinsurers not only respond if there is a loss under a covered policy that is in excess of a predetermined limit but also provide important volatility protection against high-severity loss perils (typically large fires).

Catastrophe XOL. PURE purchases significant reinsurance “towers” that protect against losses to multiple policies caused by hurricanes, wildfires, earthquakes and other natural catastrophes that tend to cause widespread damage. We spend a lot of time

and analytical effort to evaluate our potential exposure to a variety of natural catastrophes across our geographic footprint. Based on that information, we purchase catastrophe reinsurance to protect PURE against massive catastrophic events (including those events that have much less than a 1-in-250 year modeled probability of occurring) with appropriate “reinstatement” provisions that will provide cover even if such an unthinkable event were to happen multiple times in the same year. Though PURE has experienced multiple large events since inception, none have been large enough to even attach to these treaties.

PURE partners with over 60 highly rated and well-respected reinsurers across all treaties. This diversification helps to mitigate any third-party credit risk and ensures the financial strength and soundness of our reinsurance program.

These companies are willing to put their capital at risk to support PURE’s growth. In the spirit of alignment, we need to ensure we deliver an appropriate profit to these important capital providers to foster long-term support.

KEY REINSURERS INCLUDE:	A.M. BEST RATING	PRO-RATA	CATASTROPHE	ALL OTHER
American Agg	A	•	•	
Aspen Re	A	•	•	•
Axa XL	A+	•	•	
Everest Reinsurance Group	A+	•	•	•
Gen Re	A++	•		•
Hannover AG	A+	•	•	•
Liberty	A	•		•
Lloyd's Syndicates	A	•	•	•
Markel	A	•	•	•
Munich Re	A+	•		•
Navigators	A	•	•	
PartnerRe	A	•	•	
Renaissance Re	A+	•	•	•
SCOR Reinsurance	A+	•	•	•
Trans Re	A+	•		

BALANCE SHEET

INVESTMENTS

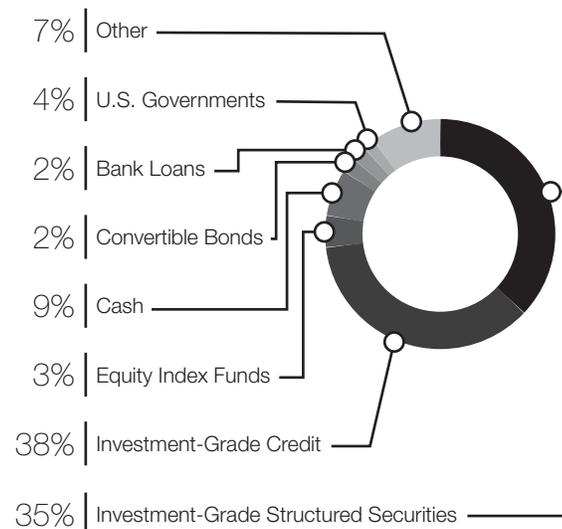
Dollars in thousands.

PURE	2018	2017	CHANGE	VARIANCE
Total Cash & Invested Assets	\$ 349,371	\$ 288,051	\$ 61,320	21%
Net Accounts Receivable	343,289	278,858	64,431	23%
Other Assets	1,758	1,136	622	55%
Total Assets	\$ 694,418	\$ 568,045	\$126,373	22%
Unpaid Losses & LAE	\$ 62,429	\$ 56,252	\$ 6,177	11%
Accounts Payable & Accrued	54,163	43,432	10,731	25%
Unearned Premiums	45,056	113,946	(68,890)	-60%
Reinsurance Payable	214,368	110,365	104,003	94%
Other Current Liabilities	29,443	16,470	12,973	79%
Total Liabilities	\$ 405,459	\$ 340,465	\$ 64,994	19%
Surplus Notes	\$ 113,762	\$ 115,227	(\$1,465)	-1%
Member Surplus Contributions	188,573	150,943	37,630	25%
Subscriber Savings Accounts	53,644	40,903	12,741	31%
Unassigned Surplus & Other	(67,020)	(79,493)	12,473	-16%
Surplus as Regards to Policyholders	\$ 288,959	\$ 227,580	\$ 61,379	27%

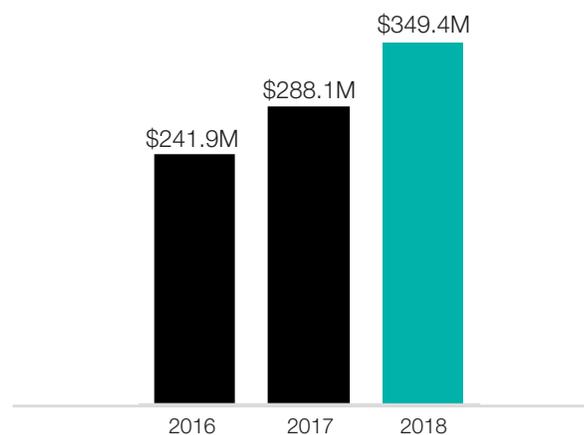
PURE GROUP OF INSURANCE COMPANIES	2018	2017	CHANGE	VARIANCE
Total Cash & Invested Assets	\$ 656,715	\$ 598,810	\$ 57,905	10%
Net Accounts Receivable	308,847	216,602	92,245	43%
Other Assets	37,210	70,790	(33,580)	-47%
Total Assets	\$1,002,772	\$ 886,202	\$ 116,570	13%
Unpaid Losses & LAE	\$ 124,858	\$ 112,504	\$ 12,354	11%
Accounts Payable & Accrued	54,502	43,655	10,847	25%
Unearned Premiums	90,113	227,892	(137,779)	-60%
Reinsurance Payable	195,695	68,476	127,219	186%
Other Current Liabilities	31,484	17,069	14,415	84%
Total Liabilities	\$ 496,652	\$ 469,596	\$ 27,056	6%
Common Capital Stock	\$ 920	\$ 920	\$ 0	0%
Contributed Capital	217,122	217,122	0	0%
3rd Party Surplus Notes	113,762	115,227	(1,465)	-1%
Member Surplus Contributions	188,573	150,943	37,630	25%
Subscriber Savings Accounts	53,644	40,903	12,741	31%
Unassigned Surplus & Other	(67,901)	(108,509)	40,608	-37%
Surplus as Regards to Policyholders	\$ 506,120	\$ 416,606	\$ 89,514	21%

Investment returns play an important role in the economics of an insurance company, but an aggressive investment strategy can also create risk. PURE maintains a conservative investment portfolio composed primarily of short-duration, high-credit-quality, fixed-income holdings. These performed reasonably well through a very challenging investment environment in 2018. As a growing company, PURE is continually adding to its investment portfolio and grew its cash and invested assets by \$61,320,000.

INVESTMENT MIX [PURE]



TOTAL CASH AND INVESTED ASSETS [PURE]

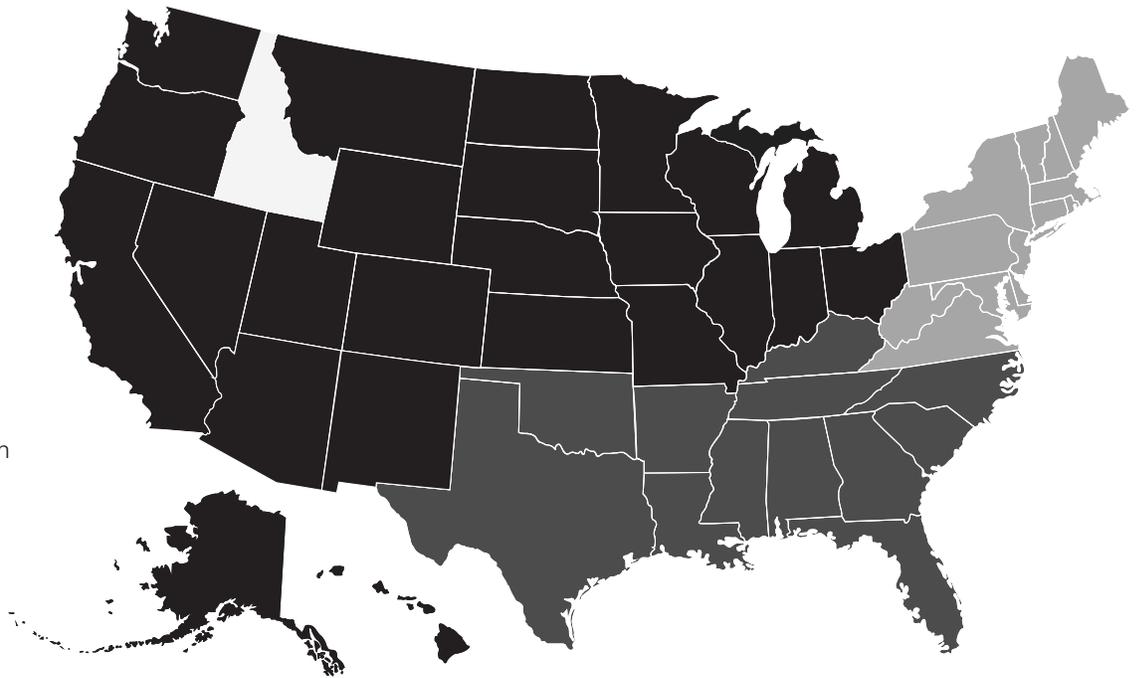


DIVERSIFICATION

Membership Diversification

PURE's book of business continues to diversify year after year. Diversified growth enables PURE to improve efficiency and reduce the severity of any one catastrophic event.

We continue to maintain steady growth across all regions, with both California and the Western States growing their direct written premium at the fastest pace.



DIRECT WRITTEN PREMIUM GROWTH



WESTERN ZONE

From left to right: Kevin Daley, President, Western Zone
VP, Regional Executives—Jessica Furrow, Joe Markovich and Alex Strange; SVP, Regional Executive—James Hasley

34.7%



48.7%

Southern
CA



46.8%

Northern
CA



38.2%

Western
States



19.6%

Midwest



EASTERN ZONE

From left to right: Lindsay Holden, President, Eastern Zone
VP, Regional Executives—Alison Murphy, Ashley Swinsburg and Caitlin Rascelles

20.2%



22.5%

New
England



19.0%

Mid-
Atlantic



18.9%

NY Metro



SOUTHERN ZONE

From left to right: Keith Self, President, Southern Zone
VP, Regional Executive—Chris Cassidy; SVP, Regional Executives—Vivian Gee and Dennis Kirwin

20.1%



20.5%

Gulf



19.9%

Florida



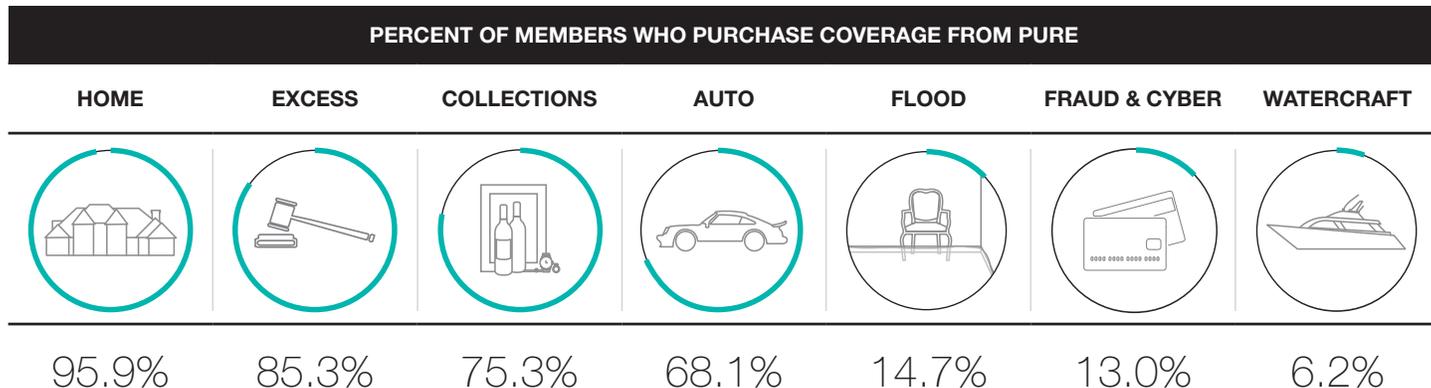
19.5%

Southeast

DIVERSIFICATION

Products

PURE's products are designed specifically to meet the needs of successful individuals and families. Members who bundle their policies can have fewer coverage gaps, benefit from generous discounts (where available) and enjoy the ease and convenience of a single billing statement.¹



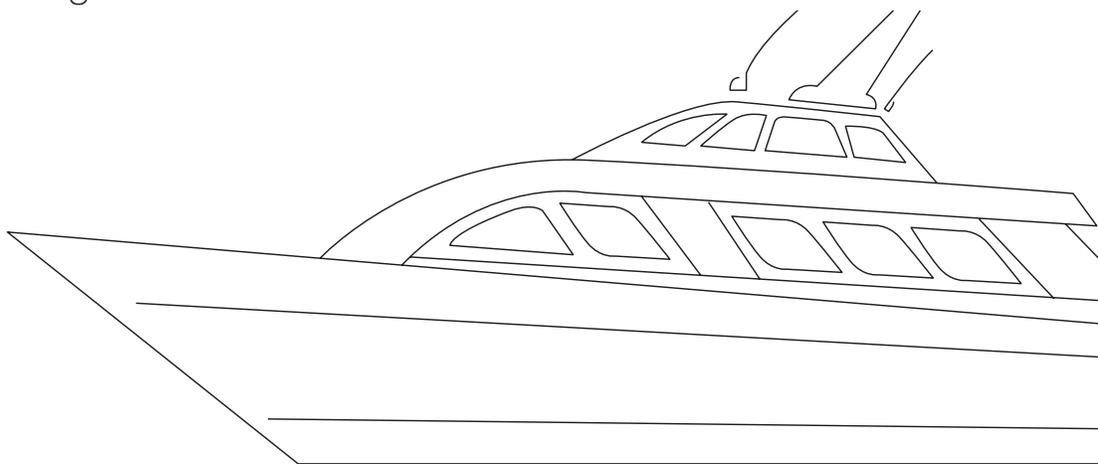
Expanded Watercraft Offering

The 2017 hurricane season has had a profound impact on the landscape of today's watercraft insurance market. Hurricanes Harvey, Irma and Maria caused record watercraft losses, forcing some insurance carriers to stop providing coverage—canceling all their policies—and others to increase prices, reduce coverage or limit the number of boats they insure. The consequences are being felt by consumers today and will be for the next few years.

PURE has consistently taken a responsible approach to underwriting watercraft in catastrophe prone areas. With a thoughtful catastrophe plan that can be executed ahead of a storm making landfall, boat owners can significantly reduce the risk of loss—and these are the boat owners we insure. This approach has kept our loss experience within expectations and has allowed us to continue to serve our responsible membership.

We insure a very broad range of watercraft, including sailboats, powerboats and classics. This enables PURE members who own a boat, or multiple boats, to insure them all under a single PURE Watercraft policy. More recently, we have developed products and services for the owners of luxury yachts, with full-time captain and crew, and are excited to be serving more and more of these owners.

There is an important advantage to having your Watercraft insurance with the same insurer as your Personal Excess Liability insurance. If you are involved in a boating accident and another party is injured, your claims professional will, from the outset, understand the full limits of liability insurance available to you and initiate the appropriate defense and investigation. This should reduce the chances that a serious accident leads to a judgment or settlement that exceeds the limits of insurance available.



¹ Not currently available for primary flood.

BENEFITS OF MEMBERSHIP

Fifth Renewal

Upon completing their fifth renewal, members no longer pay surplus contributions as part of the cost of their insurance. Over 6,500 members passed this milestone last year, saving over \$6 million in 2018 alone. This brings the total number of members who no longer pay surplus contributions to 20,671, which represents 25% of the membership. A member's tenure with PURE has a direct correlation to their enthusiasm; the NPS of members who reached their fifth renewal in 2018 increased by 10 points. Learn more about our NPS results on pages 24-25.

6,860

PURE members reached their fifth renewal in 2018.

\$6.5M

In savings for this group.

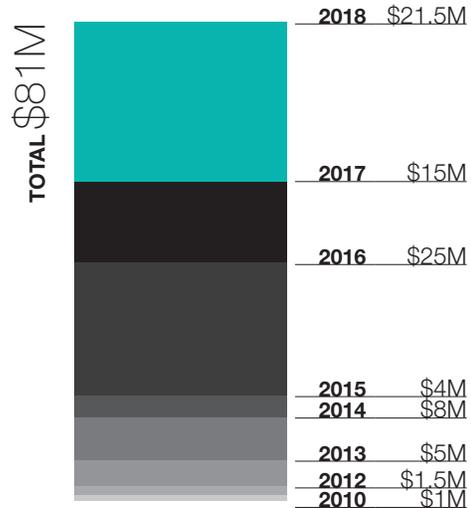
79

Net Promoter Score among members who no longer pay surplus contributions.

Subscriber Savings Accounts

Despite the industry facing another year of catastrophic losses, we are delighted to share that we will make an allocation of \$21.5 million to Subscribers Savings Accounts (SSAs) for the 2018 year. For more information on SSAs and the unique value they provide, visit pureinsurance.com/ssa.

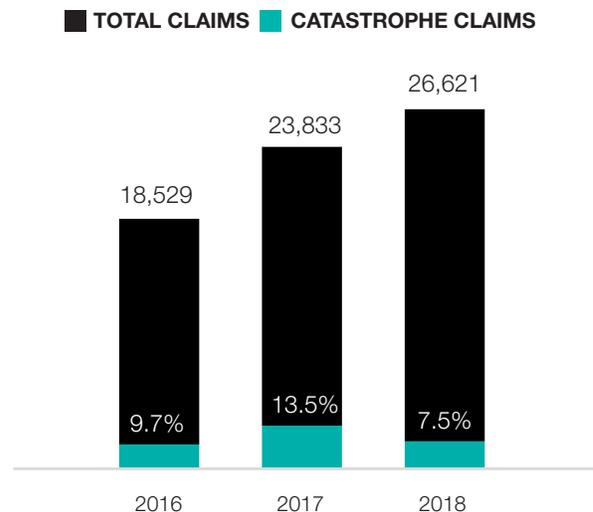
AMOUNT ALLOCATED TO THE MEMBERSHIP



CLAIMS

Claims Count by Year

To date, the membership has reported more than 80,000 claims. The number of claims not related to catastrophes—like automobile accidents, thefts and home fires—can be expected to increase somewhat steadily as the membership grows, while claims from weather events like hurricanes and wildfires are less predictable. However, sound underwriting and a well-diversified book of business has helped to lessen the impact of this volatility for PURE.



CLAIMS

Most Common Causes of Loss

Following are some of the most common causes of loss across all lines of business for the PURE membership. These costs reflect what PURE has paid or expects to pay on claims reported in 2018.



Water Damage

45% of all Homeowners claims experienced were the result of water damage for a total of more than \$170 million in losses. This includes damage from events like burst pipes, roof leaks and overflow of household appliances (but not flood damage).



Hail

554 members' homes were damaged by hail for a total of more than \$23 million in losses.



Lightning

Members experienced 234 claims caused by lightning—the most common of which caused power surges resulting in damage to home systems and electronics—for a total of nearly \$8 million in losses.



Collections

Members submitted claims totaling more than \$21 million for jewelry, wine, artwork and other collectibles that were lost, damaged or stolen.

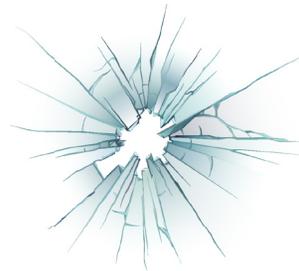


Fires

Home fires resulting from faulty electrical equipment, unattended cooking, poorly maintained chimneys and other causes, impacted 105 members, resulting in an average of \$630,000 per loss.

Trees

Fallen trees caused more than \$17 million in losses to members' homes and other structures on their property. More than \$12 million of this was due to hurricanes.



Automobile

Members reported 17,308 Automobile claims, ranging from minor glass repairs to theft and collisions.

Personal Excess Liability

More than 30 automobile accidents, slip-and-fall injuries, swimming pool incidents and other events experienced by members in 2018 were severe enough to exhaust their underlying coverage limits and reach their Personal Excess Liability limits. While the events that spark a liability lawsuit happen infrequently, the jury verdicts associated with these incidents can, in extreme cases, be financially devastating.

CLAIMS

Subrogation

When a third-party is responsible—even partially—for the damages in a claim, PURE uses the legal process of subrogation to try to recover the money paid out. This often results in the at-fault party bearing a portion of the financial responsibility for the claim.

Subrogation helps to improve the company's overall operating results and reduces the cost of insurance premiums. In 2018, PURE recovered over \$22 million from the at-fault parties through subrogation efforts.

In kind, PURE receives incoming subrogation demands, or third-party liability claims made against our members. In these cases, we work first and foremost in the best interest and long-term health of PURE as we consider the unique experience of an individual member.

In some situations, subrogation allows us to reimburse a portion or all of a member's deductible. Here are some things you can do to help in our efforts.

Take photos or videos at the time of an incident. Visual representations, as well as written accounts, help to better understand the reported situation, whether it's capturing a photo of the vehicle that just rear-ended you or a video of water leaking from a pipe in your home; it may not tell us the whole story, but it does help us determine what we might need to move forward.

Preserve damaged parts. Sometimes claims are the result of manufacturer defect or an improperly handled repair. Retaining all damaged parts from the event could be helpful in determining, and proving, who is at fault.

Keep detailed records. Whether it's the signed contract for your home repair or the serial numbers and manufacturers of your home appliances, any clear documentation you have could help identify potentially responsible parties.



Partnering To Prevent Loss

We study each large loss experienced by our members to fully understand its root cause and how it could have been prevented. We share these insights with the broader membership to help reduce the likelihood that other members will experience a similar claim. And, as part of the claims process, we aim to partner with our members to implement loss prevention solutions that will help make their homes safer and more resistant to future losses.

In 2018, we contributed over \$1.6 million towards the cost of loss prevention measures intended to help members who have just suffered a claim prevent a similar loss from reoccurring.¹ Since this program began, we have partnered with thousands of members and contributed more than \$5.4 million. Here are some of the loss prevention solutions that members are implementing.

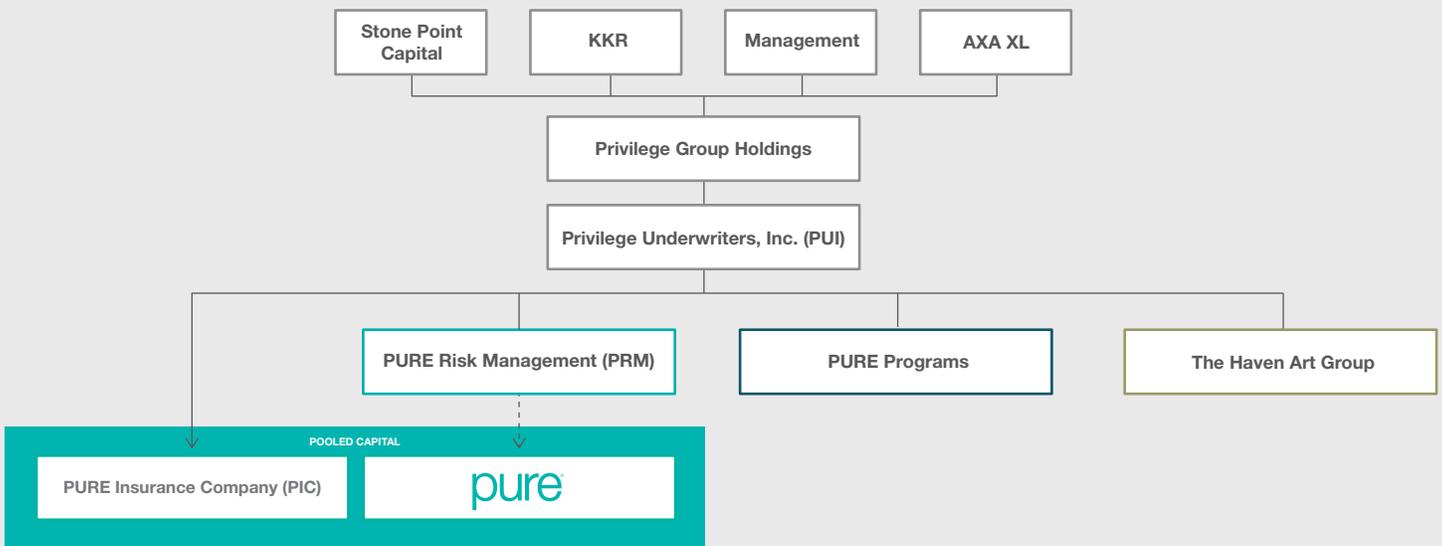
TOP USES OF PURE'S LOSS PREVENTION BENEFIT

 Whole-House Leak Detection Systems	 Sump Pumps	 Arborist Services
 Hail-Resistant Materials	 Home Security Systems	 Generator

¹For covered losses greater than \$10,000, PURE's Homeowners policy includes a Loss Prevention Benefit, up to \$2,500 members can use to prevent a similar loss from recurring.

PURE & Its Affiliates

PURE and its affiliates are a specialist group of companies with common management serving the personal insurance needs of successful families across the United States. Collectively, these companies benefit the PURE membership by creating excellent financial strength, capital flexibility and a strong sense of alignment of interests between policyholders and an elite group of outside shareholders.



Prilege Underwriters Reciprocal Exchange (PURE)

At the heart of the PURE Group of Insurance Companies is a member-owned insurer, Prilege Underwriters Reciprocal Exchange (PURE).

Members pay their premiums to PURE and contribute surplus capital for the first five years of membership. All in, the cost of PURE policies (including surplus contributions) has led members to report significant savings—an average of 20% or more annually on Homeowners insurance.¹

While most members view surplus contributions as part of the overall cost of their insurance, they are separate from typical premiums and much more efficient. For starters, there are no fees paid to the Attorney-in-Fact (independent management company) on members' surplus contributions, and they are not shared with PURE Insurance Company (PIC), our pooled insurer. This helps improve operating results and build capital in the member-owned exchange.

Claims are typically paid from premiums and shared with participating reinsurers (including our pooled insurer). There is no risk of assessments, even in a bad year, and members participate in the good outcomes through Subscriber Savings Accounts (SSAs). To date, nearly \$81 million has been allocated back to the membership through SSAs, and we are delighted to share that we will make an allocation of \$21.5 million for the 2018 year. SSAs are one of the more tangible examples of an alignment of interests.

Members also play an important part in the governance of the company through a Subscribers' Advisory Committee (SAC). This group provides a voice of the membership to management and has the responsibility of procuring and reviewing the annual independent audit for PURE.

¹ Average annual savings on Homeowners insurance for members reporting prior carrier premiums from Jan. 2011 through Feb. 2019. Actual savings, if any, may vary.



The PURE Programs team comprises 50 smart, talented and hardworking men and women dedicated exclusively to this business. While the majority of the team sits on our Roswell, GA office, we have employees across the country. Some representatives from the PURE Programs team from left: D. Scott Hunter, Senior Underwriter & Team Lead; Kristen Virgilio, Business Development Manager, Carolinas; Craig Pitz, Underwriting Specialist; Michelle Ralston, Senior Underwriter & Team Lead; Martin Hartley, President, Specialty Operations; Caroline McGarity, Regional Underwriting Manager, Florida; Michael Trchala, VP, National Sales & Distribution; Christina Clark, AVP, Regional Business Development Manager, Florida; Jonathan Fajen, VP, Underwriting Manager.

Privilege Underwriters, Inc. (PUI)

Privilege Underwriters, Inc. (PUI) is a holding company for a collection of affiliated businesses that are shareholder-owned and play an important role in making the PURE Group work well. These companies include PIC, PURE Risk Management (PRM), PURE Programs and The Haven Art Group. Together, they create an entrepreneurial environment for employees, a source of additional capital and capital flexibility for the insurance companies and a broader service offering for PURE members.

PURE Insurance Company (PIC)

PIC is a stock insurer that is pooled with PURE and shares common management. PIC provides the membership with real capital support and tremendous capital flexibility while reinforcing an alignment of interests between the parties.

A.M. Best treats the PURE Group of Insurance Companies (PURE and PIC) as “pooled capital” because the pooling agreement requires the companies to combine their resources and obligations and to share in premiums, losses and almost all expenses.

Because PIC does not write any direct business itself, the pooling agreement means that PIC stands behind PURE with all of its resources. PIC also brings capital flexibility to the PURE Group since PIC or PUI can easily access capital markets.

The agreement also helps to strengthen alignment by ensuring that the investor-owned part of the PURE Group of Insurance Companies shares in underwriting results.

PURE Risk Management (PRM)

PURE Risk Management (PRM) serves as the Attorney-in-Fact for PURE. PRM is paid a fee to provide marketing, underwriting and claims-administration services for PURE. In turn, PRM provides the human, technological and operational resources and intellectual capital required to run the insurance operations of PURE.

PURE Programs

PURE Programs is a Managing General Underwriter (MGU) that provides solutions to PURE members and other high net worth consumers who face complex or extreme risks and are accustomed to higher levels of service. PURE Programs is paid a commission by independent insurers who assume these risks. It does not pool capital with the PURE Group of Insurance Companies. A PURE Programs policy does not qualify an individual as a PURE member, and PURE Programs policyholders do not sign a PURE Subscriber’s Agreement, make surplus contributions to PURE or receive the benefit of PURE Subscriber Savings Accounts (SSAs).

The Haven Art Group

The Haven Art Group offers bespoke services for PURE members who collect fine art, jewelry or antiques. Their services include collection management, needs assessments, conservation, curators for hire and disaster response plans. They also work to manage art collections and claims for some of the world’s most prestigious museums and corporations.

Stone Point Capital

KKR

Management

AXA XL

Two of the world’s preeminent private equity investors—Stone Point Capital and KKR—in addition to AXA XL, a leading global insurance company, invest in Privilege Group Holdings (PGH). These investors support PURE’s continued independence and provide exceptional access to capital.

THE PURE GROUP OF INSURANCE COMPANIES ENJOYS A FINANCIAL STRENGTH RATING OF A (EXCELLENT) WITH A STABLE OUTLOOK FROM A.M. BEST.

EXECUTIVES

Ross Buchmueller
President and
Chief Executive Officer

Jeff Paraschac
Executive Vice President,
Chief Financial Officer

Martin Hartley
President,
Specialty Operations



Kevin Daley
President,
Western Zone



Katherine Frattarola
Senior Vice President,
Chief Marketing Officer



Mark Galante
President,
Field Operations



Lindsay Holden
President,
Eastern Zone



Jason Metzger
Senior Vice President,
Risk Management &
Member Services



Steve Oakley
Senior Vice President,
Chief Actuarial Officer



Katherine Richardson
Senior Vice President,
Chief Human
Resources Officer



W. Keith Self
President,
Southern Zone



Mike Taylor
Senior Vice President,
Chief Claims Officer

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Subscribers' Advisory Committee

Ross Buchmueller
President and CEO, Privilege
Underwriters, Inc.

Joey Cummings
Chief Growth Officer,
afg& (Avrett, Free & Ginsberg)

Douglas Fields
Senior Vice President,
McGriff Insurance Services

Richard Jacobs
(Audit Committee Chairman)
Managing Director, CGA Capital

Jodi Lash (Chair)
CEO, J. Lash & Company

James H. McLaughlin
CEO, James H. McLaughlin & Co., LLC

William W. Wilson III
Chairman, Dropsource

Attorney-In-Fact

PURE Risk Management, LLC
(a wholly owned subsidiary of Privilege
Underwriters, Inc.)

Actuarial Services

Perr & Knight | Boca Raton, FL

Auditor

EisnerAmper LLP | Edison, NJ

Investment Management

Asset Allocation & Management
(AAM) | Chicago, IL

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Directors

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General Partner, Starboard Specialty
Funds, LLC

Ross Buchmueller
President and CEO, Privilege Underwriters,
Inc.

James Carey
Senior Principal, Stone Point Capital

Christopher Harrington
Partner, Private Equity, KKR

Peter Mundheim
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Tagar Olson
Head of Financial Services, KKR

Nicolas Zerbib
Senior Principal, Stone Point Capital

Actuarial Services

Perr & Knight | Boca Raton, FL

Auditor

EisnerAmper LLP | Edison, NJ

Investment Management

Asset Allocation & Management
(AAM) | Chicago, IL

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