

Report to Members

pure[®]
INSURANCE
A member of the Tokio Marine Group



Inside the home of PURE members Gail and Ron Berlin.

Image courtesy of Denise McGaha Interiors.

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LETTER

From The CEO

To My Fellow PURE Members:

In 2019, the holding company for the Attorney-in-Fact of PURE agreed to be acquired by one of the largest and most respected insurers in the world, Tokio Marine Holdings. We subsequently received all regulatory approvals in early 2020, and our Financial Strength Rating was moved to a “positive” outlook. The alignment of our respective cultures and the added strength and flexibility afforded through our new relationship with Tokio Marine will allow us to continue to pursue our purpose-driven mission with even greater confidence. We will share more details about Tokio Marine and our view of this partnership later on in this report.

Since our days as a start-up 13 years ago, we have helped members save nearly \$1 billion (according to your self-reporting of premiums prior to PURE). With a \$22 million allocation for 2019, we have now allocated more than \$100 million to Subscriber Savings Accounts (SSAs). We have responded to more than 100,000 claims and paid nearly \$2 billion to replace and restore damage or defend the interests of more than 91,000 successful families throughout the United States. Throughout the engagement with Tokio Marine, we emphasized to our new partners the importance of aligning interests. Shareholders prosper when policyholders

are best served and realize great value. Independent insurance brokers succeed when their clients are well covered and feel inspired to refer their friends and family. Policyholders enjoy stable coverage when the premiums charged provide an adequate return on the capital committed by insurers (and reinsurers). The burden of returning capital is lessened when policyholders are also members who contribute to the capital needs of the group. With the backing of such a strong partner in Tokio Marine, we are keen to advance our mission with ambition and optimism.

Making the PURE membership feel like they are part of something special may be the single most important aspiration for my colleagues and me. Our incentives are obvious: when surveyed, members who agree with the idea that they “feel like a member, not merely a policyholder” have a Net Promoter Score of 98. Across the country, insurance may not be the highest interest category for consumer engagement, but we are ready to lean in and welcome you to reciprocate. Over the past year, we have advanced a large number of initiatives intended to create value for you and to nudge more and more of you into the category of “PURE Ambassadors.”

In 2019, we re-imagined your online experience with PURE by making it easier to get basic coverage information, including ID cards for car insurance. We made it even easier to pay your bill and more intuitive to track the progress and details of your open claims. The use of the PURE Claims Tracker was up 300 percent in the fourth quarter of 2019.

We have started adding new utilities to enlighten the membership about coverage issues and to empower you to make better decisions. The Advice Dashboard supports and amplifies the best advice of the best independent insurance brokers in the business. We use our data to highlight areas where you might be able to save money or improve your coverage. We also leveraged our data to help you make smarter decisions about buying a home. Fifteen percent of the PURE membership bought a new home in 2018. In most cases, we didn’t learn about this until the home was formally submitted to underwriting, and in some cases, that was too late. We want to help you start the underwriting process earlier by allowing members free access to PURE Home Spotlight™, which includes information about fire protection, natural catastrophe risks, prior damage and more. We expect to add even more

valuable insights in the coming months and years. If you haven’t logged on to your portal recently, I encourage you to take a look.

The reciprocal model promotes an alignment of interest and sense of “membership” in many ways, including the opportunity to participate in positive results (without fear of assessment). Including an upcoming allocation to your SSAs, we will have committed more than \$100 million to these notional accounts over the past decade. And on the infrequent occasions when members elect to end their membership with PURE, we have returned millions of dollars. For some of you, the balance in your SSA is becoming relatively substantial, and we intend to allow you to realize the benefits of membership more tangibly without having to leave PURE. We are introducing PURE Gold, a new benefit that includes cash rewards for those members with 10 years or more of tenure with PURE. Every year, based on our results, we have proposed to regulators an allocation to SSAs. Starting this year, Gold status members will also be granted a cash distribution from their SSA, starting with 10 percent of their total balance. In 2020, thousands of members who have been with PURE for 10 years or more will receive this bonus. Soon, we anticipate tens of



*Ross Buchmueller, President and CEO,
at the 2020 PURE Leadership Forum.*

thousands will reach this milestone and be appropriately rewarded for their loyalty. Of course, the availability of rewards is contingent upon solid underwriting results.

In 2019, our membership suffered more individual losses with a value greater than \$5 million compared to the prior 12 years combined. We didn't necessarily have a higher frequency of large losses, yet when a fire or car accident occurred, it was much more severe than normal.

One inspiring development was the growing sense of community among the PURE membership. We have started to connect families who have suffered devastating losses with other families who have had similar experiences. These connections have helped our members build their resiliency in the face of disaster and recover more quickly. If you feel you can help your fellow members by sharing your insights, I welcome your involvement.

MAKING THE PURE
MEMBERSHIP FEEL LIKE THEY
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FOR MY COLLEAGUES AND ME.

More than 80 percent of the PURE membership maintains an Excess Liability policy with PURE to defend against allegations of property damage or personal injury. Most of the claims arise from severe injuries from car accidents, and too frequently, these involve young drivers. Our membership experienced more than our share of tragic accidents that resulted in severe injuries or death to young family members, their passengers or people in other cars impacted by our drivers. In the summer, we shared some simple tips to bring awareness to the risks of inexperienced drivers, including technology that can reduce distractions and measure the quality of driving. We were particularly inspired that more than 140 families responded to our message with their own thoughts on the challenges of parenting and the role of technology. This is another example of how we are gradually witnessing the formation of a PURE community working together to become smarter and safer in the face of risk.

The insurance industry is facing a developing concern with liability claims often described as "social inflation." Social inflation generally refers to the rising costs of insurance claims that result from societal trends and views toward increased litigation, broader contract interpretations, plaintiff-friendly legal decisions and larger jury awards. Over time, the tort system in American society may have experienced cycles that ebb and flow, and we are certainly going through a period where verdicts are far higher than historical levels (adjusted for inflation). As we go to print with this report,



Ross Buchmueller, President and CEO,
at the 2020 PURE Leadership Forum.

courts have been temporarily closed due to the pandemic. Time will tell how this trend develops in the future.

We watched Hurricane Dorian form into the most powerful storm ever measured. The damage to the Bahamas was devastating, but the East Coast of the United States was spared a direct hit. We had a third straight year of significant wildfire activity in California, but PURE members did not suffer significant losses—although policyholders placed by our affiliated company, PURE Programs, which insures higher risk properties through other insurers, did experience a number of large wildfire losses. We suffered the largest single event loss in our history when an EF-3 tornado made landfall in the Dallas area and created a destructive path of nearly 15 miles. Street after street of beautiful homes were damaged, with some homes destroyed beyond repair. We still have a great deal of work to do to help members in Dallas get back to normalcy, and the cost of this event to PURE has already exceeded \$60 million.

We buy reinsurance to help smooth out the annual impact of events like the Dallas tornado and to provide even greater claims-paying ability should an event like Hurricane Dorian reach our shores. Access to reinsurance capacity has been plentiful over the past decades and at reasonable rates. We expect the availability to continue to be strong, but the affordability will be a bit more challenging. We have great relationships with our reinsurance partners and expect to maintain those relationships. Our catastrophe programs have been extraordinarily profitable, but our pro rata treaties, which share an equal percentage of premiums and losses for every risk, have not met even our own profit standards over the past few years.

Improving insurance company profitability can occur without simply raising rates year after year. We need to recognize that

our models can confidently predict those policyholders who have little or no chance to contribute to the long-term health of PURE. I feel like every year, I write about the importance of compliantly and empathetically non-renewing one or two percent of the PURE membership whom our models confidently identify as highly likely to bring us extreme losses in the future. Few jobs are less fun. Few jobs are more important.

We grew premiums by approximately 20 percent in 2019 to around \$1.15 billion. We operate in a niche market with an estimated size of \$20 to \$40 billion. We have a long way to go to better serve our existing members and to welcome new ones. The PURE membership represents more than 91,000 successful families, and each member typically has about four policies. There are many ways we can become more important to the membership, including making you aware of new products and services. Almost half of the membership who joined in the past three years carries PURE Starling™ coverage to protect against online and offline fraud, yet far fewer than 10 percent of the more tenured membership is protected for these risks. Please ask your insurance broker to add this coverage or at least help you understand the costs and benefits.

We are proud to have been recognized by the Family Wealth Report as the Best Insurance Underwriter for the fifth consecutive year and by Private Asset Management as the Best High Net Worth Insurance Company for the third consecutive year. We continue to earn recognition for our workplace environment. Harvard Business Review featured PURE in a study of how great companies inspire employee engagement, and we earned a number of local and national awards for workplace culture and engagement. I am constantly reminded of the critical role that so many different people play in our ecosystem. We need to have productive and mutually rewarding partnerships with the best

specialist insurance brokers in our niche. We need to create an environment that harnesses the talents and energy of more than 800 expert employees. We absolutely need to demonstrate our underwriting, risk management and claims expertise to attract the capital support of the finest reinsurers in the world. We need to act consistently and ethically to maintain the confidence of regulators across the country. And this is where our model shows its power. Generally speaking, if we put the experience of the PURE membership at the center of our focus, we have a good chance of delighting all of our stakeholders—starting with you.

I am excited to see what the future holds for PURE. We are working towards providing more services and better service, more creativity and better inventions, stronger underwriting, better results and more sharing of those results. It isn't easy to grow fast, innovate, provide exceptional service and deliver excellent underwriting results. I think that's why I love this challenge. We're not perfect, but nobody will work harder for you than the team at PURE.

I wish you good health, peace and prosperity—and I thank you for your continued support and engagement.

Ross Buchmueller
President and Chief Executive Officer

LETTER

From The Subscribers' Advisory Committee Chair

Dear Fellow PURE Members,

If I were to describe our PURE membership, I would use words like “community” and “resiliency.” Last fall, my hometown of Dallas experienced the sudden destructive force of a tornado that challenged our community to come together and work toward recovery with strength. As I write this letter, the entire country is coming together in spirit to show our strength against a pandemic. This is surely a time when our commitment to community is required and our resiliency is tested.

This past year marked a milestone for the PURE Group, as our holding company agreed to become a member of the Tokio Marine Group. In fact, our committee has actually been preparing for a possible transition for years. In September of 2014, before I joined the committee, the Subscribers' Advisory Committee (SAC) held an offsite meeting to discuss the potential, perhaps inevitable, decision of Stone Point Capital to sell its stake in the parent company of your Attorney-in-Fact. At that time, the SAC communicated to management that the policyholders needed to be assured that any deal would protect the culture of the company, and that the management team would stay actively engaged and would identify future investors who were committed to protecting the interests of the policyholders. PURE has done an excellent job of building a strong balance sheet, but the SAC expressed a desire for any acquirer to provide even greater financial strength and financial

flexibility for the insurance company. Moreover, the committee recommended that any potential buyer enhance the strong reputation of PURE. We are excited to tell you that Tokio Marine met all of those criteria.

Our work throughout 2019 was not centered on this milestone, though. Rather, we focused on a series of initiatives designed to add value to you, remove friction from your experiences with PURE and help us pursue our passions with greater confidence. Throughout the year, we worked as a sounding board for PURE's Risk Management and Member Experience teams. We tested and gave feedback to the team on a variety of member tools, some of which have come to market. Surprisingly, we made our greatest impact with a tool that initially did not test well. The Risk Management team had partnered with a new technology firm to design a self-directed risk management experience that would allow members to gain insights without a PURE risk manager in their home. We downloaded the tool and began to follow instructions by taking pictures of our respective homes. We shared critical feedback about the intuitiveness of the tool and the ease of use. Behind the scenes, the PURE Risk Management team worked to smooth out rough edges and make the self-directed risk management experience a more seamless and valuable process. As a point of reference, PURE typically meets with about 100

OUR WORK THROUGHOUT 2019 WAS DESIGNED TO ADD VALUE TO YOU, REMOVE FRICTION FROM YOUR EXPERIENCES WITH PURE AND HELP US PURSUE OUR PASSIONS WITH GREATER CONFIDENCE.

members in their homes each day to provide valuation services and advise on ways to prevent loss. Since seamlessly shifting to the self-directed service during this period of social distancing, they have engaged virtually with thousands of members, continuing to provide the same high-value experience. No one could have predicted that this innovation would become so valuable so soon.

In addition, as we do from time to time, our Audit Committee has been exploring the possibility of selecting a new auditor. We have been well represented by EisnerAmper since the launch of PURE; however, it is always a good practice to consider all options periodically, especially as PURE has grown and changed over the years. Our Audit Committee is led by my fellow SAC member, Rich Jacobs, and I am confident that he will lead us through this process with rigor and excellence.

Please be assured that the SAC will continue to operate with the best interests of membership always at the forefront of our decisions and recommendations. I hope you stay safe and well and find comfort in knowing that PURE is stronger than ever and prepared for the challenges ahead.

All the best,



Jodi G. Lash

Jodi G. Lash
Chair, Subscribers' Advisory Committee

A FLEXIBLE PATH TO RECOVERY

Designed to Make You Whole

Inside the home of a PURE member.

Insurance policies are designed to make you whole again following a loss, whether it's a fire that destroys your home or a small mishap that can be resolved with minor repairs. However, some insurance policies restrict your ability to bring your home back to the way it was before the loss, and they may also limit your options in choosing how to recover. PURE is among a niche category of specialist insurers who design their policies specifically for high net worth families. Policies offered by these insurers provide broader coverage and specialized services designed to get you back to normal following a loss.

PURE members' homes are typically built to the highest standards, with high-quality materials and often one-of-a-kind features, like hand-painted wallpaper, reclaimed wood doors or floors and custom cabinetry. If any of these were to be destroyed, an insurance policy that restricts coverage for rare or unique items would only provide you with a functional replacement—or builder-grade materials.

Specialist insurers, including PURE and our competitors, design their products to give you greater flexibility and are committed to a high-quality craftsmanship to ensure your home is restored to its original condition. Their ability to make you whole following a claim begins with accurately valuing your home and belongings. When there is a loss, the details of your home and its contents have already been cataloged, so

repairs can begin quickly. These insurers also bring a network of experts who can assist with locating an exact replacement or even replicate or restore what was damaged.

If you are required to live elsewhere while your home is repaired, specialist insurance policies afford you coverage for a comparable home, so you can maintain your standard of living. We are also dedicated to helping you return to normalcy by locating a home that is close to work, schools and other important resources.

In the event of a total loss to your home, several factors, including your family's mindset and varying stages of life and emotions, can influence how you choose to recover. Some insurers only provide coverage if you choose to rebuild in the same location, and until repair or replacement is completed, will only reimburse you for the home's actual cash value, which takes into account your home's depreciation over time. Specialist policies offer greater flexibility, allowing you to rebuild your home in like kind and quality, rebuild in a new location to meet your evolved lifestyle or receive a cash settlement.

The following stories demonstrate this flexibility and illustrate the different paths that PURE members have chosen to take in their recoveries.

A FLEXIBLE PATH TO RECOVERY

Nicole & Isaac Sine

When Nicole Sine first smelled smoke, she didn't think much of it. She and her husband, Isaac, had just finished unpacking their new home, and Isaac had gone out to the patio to start the grill. Nicole continued to organize upstairs while their two young children played in the pool. Just hours prior, the Seattle natives had flown across the country to move to Connecticut for Isaac's job. Then, Nicole looked down the staircase and saw black smoke billowing from the floor vents.

Four hours later, fire crews had extinguished the flames, but nearly everything in the home was destroyed. The fire was sparked by the electrical ignition of their outdoor grill.

"We were beside ourselves. We were new to the area and knew no one. We had nowhere to go. We literally had nothing," said Nicole, recalling her children standing barefoot on the front lawn, wearing only their bathing suits.

Isaac called his insurance broker to report the claim and received a call from PURE's claims adjuster moments later. A member of PURE's team found a nearby pet-friendly hotel that would accommodate their family's immediate needs while they looked for a comparable home. They were pleased to find one nearby with a pool, something Nicole and Isaac had promised their children to ease the difficult transition of the move.



PURE members Nicole and Isaac Sine with their three children at their home in Connecticut.

"Two days after the fire, we found out that we were expecting another baby," said Nicole. "We had just moved into a home that had plenty of space, but all that had been taken away from us. The exciting news was a bright spot during an emotionally trying time."

Extensive smoke damage required the Sines' entire home to be taken down to the studs. Nearly all of their freshly unpacked furniture, artwork and children's toys were ruined. Fortunately, a few meaningful belongings, like the kids' baby albums and blankets, were saved, and their clothing was sent to a professional cleaner to be restored. It would take five months for the Sines' dream home to be rebuilt exactly the way it was the day they moved in.

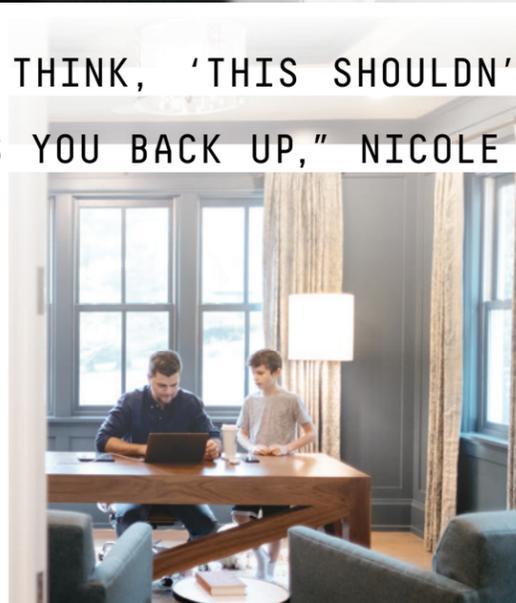
"I'm usually fairly skeptical of insurance companies, but PURE told us they were going to rebuild our home to its original condition, and they made good on their promise," said Isaac. "It was unbelievable how much flexibility we had to put the house back the way it was and make it ours."

The family moved back home in November, just in time for the holidays.

"You think, 'This won't happen to me.' But when it does, you're so grateful for everyone who picks you back up," Nicole said. "It was such a blessing to have someone say, 'I will help you.'"

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A FLEXIBLE PATH TO RECOVERY

Lyle & Jeannie Tullis

Just hours before their house burned down, Lyle and Jeannie Tullis were confident that their home of 25 years was safe from the Carr Fire. The house stood on a high ridge in Redding, California, with a commanding view of the surrounding hills. They could see the fire burning to the north and the west, but the wind was blowing in a favorable direction, and the Sacramento River provided a barrier.

The owner of a successful contracting business, Lyle had equipped his home to fight the fire. A 4,000-gallon water truck sat in the yard connected to a fire hydrant, and a pump in the pool provided access to extra water. Lyle intended to stay put and protect his home, but when the wind shifted, he and Jeannie started packing.

In what seemed like no time at all, the fire had jumped the river and started climbing the hill toward the back of their home. With help from a friend who had come to check on them, they loaded what pieces they could from their expansive Western Art collection into the car. Their home was engulfed in flames before they reached the bottom of their 300-yard cul-de-sac.

"We left with a good portion of our art collection, some papers from the safe and the clothes on our back," said Lyle. "Everything else was gone." Among the belongings that were lost were items that the Tullises considered irreplaceable, including pictures of Jeannie's father being rescued after his Corsair was shot down in World War II and her late mother's cookbooks.

Lyle met PURE's claims adjuster at the site the next day. The house was burned down to the foundation, and 100-year-old cypress trees had been reduced to charred stumps. "Our adjuster reassured us that the house was covered, and a few days later, PURE sent us a check so we could buy new clothes and other necessities, and find a place to live."

As plans were being drawn to rebuild their house, Jeannie had a change of heart. "The experience was extremely traumatic for her," Lyle noted. "There were too many memories in our old home, and the thought of rebuilding was incredibly distressing."

She and Lyle had already been talking about downsizing from the 10,000-square-foot house, so they used their claim check to purchase a lot just down the road on the edge of the river. Their new home, where they plan to begin the next chapter of their life, is now under construction.

"One thing that I miss is a handwritten address book that had contact information for all of our friends and family," Lyle said. "When you lose nearly everything, you start to realize what was truly important."



Lyle Tullis points in the direction of where his Redding, California home once stood before it burned down in the Carr Fire—one of the most destructive wildfires in the state's history.



"WE LEFT WITH A GOOD PORTION OF OUR SAFE AND THE CLOTHES ON OUR BACK,"



ART COLLECTION, SOME PAPERS FROM THE SAID LYLE. "EVERYTHING ELSE WAS GONE."



WINTER WEATHER

A Common Loss Among PURE Members

Severe winter weather can lead to frozen and burst pipes, ice dams and power outages that result in devastating and disruptive losses for our members. We continuously analyze our risk, claims and underwriting data to garner insights on the likelihood of future damage. These insights help us to provide you with more targeted, personalized advice. The following pages include specific ways to prevent winter weather losses or minimize their impact so you can return to normalcy faster following a claim.

INCREASED AWARENESS AND INSTALLATION OF LOSS PREVENTION SOLUTIONS

A positive shift related to the most common cause of loss facing the membership is finally emerging: There was a decline in water damage claim frequency and severity for preventable losses, like burst pipes and supply line failures. In 2019, we saw a 123 percent increase in the installation of water shutoff devices—more installations than in 2016, 2017 and 2018 combined. While the decrease in frequency and severity of damage can be partially attributed to a mild winter, other factors include the continual improvement of water shutoff device technology and the responsible behavior demonstrated by our membership before, during and after a claim.

UNOCCUPIED HOMES INCREASE THE SEVERITY OF A WINTER WEATHER CLAIM

Winter weather claims totaled more than \$62 million in damage in 2019 and displaced members for an average of 100 days in each instance where they were required to live elsewhere while their home was repaired.¹ One contributing factor to the severity of winter weather damage is an unoccupied home. One in four PURE members insures multiple residences with us, yet relatively few have a full-time live-in caretaker. This means for an extended period of time throughout the year, many of the homes we insure are unoccupied.

PURE's winter weather claims historically peak during the first week of January over the New Year's holiday and the third week in February during school break—when members commonly take vacations. When no one is home, damage can go unreported for days and become more severe.



Loss Prevention Support

On the following page you will find ways to help better protect your home from winter weather losses. Our team is dedicated to not only sharing these insights, but helping you implement these recommendations. Contact **Member Services** at **888.813.7873** to discuss special products or vendors that may best meet the needs of your family and home.

AMONG THE PURE MEMBERSHIP, THE AVERAGE COST TO REPAIR DAMAGE...



from a frozen or burst pipe claim in 2019 was **\$104,000**. When a burst pipe occurred in a home that was unoccupied, the damage was three times greater.



from an ice dam in 2019 was **\$45,000**. The severity of damage doubled when a PURE member's home was unoccupied.

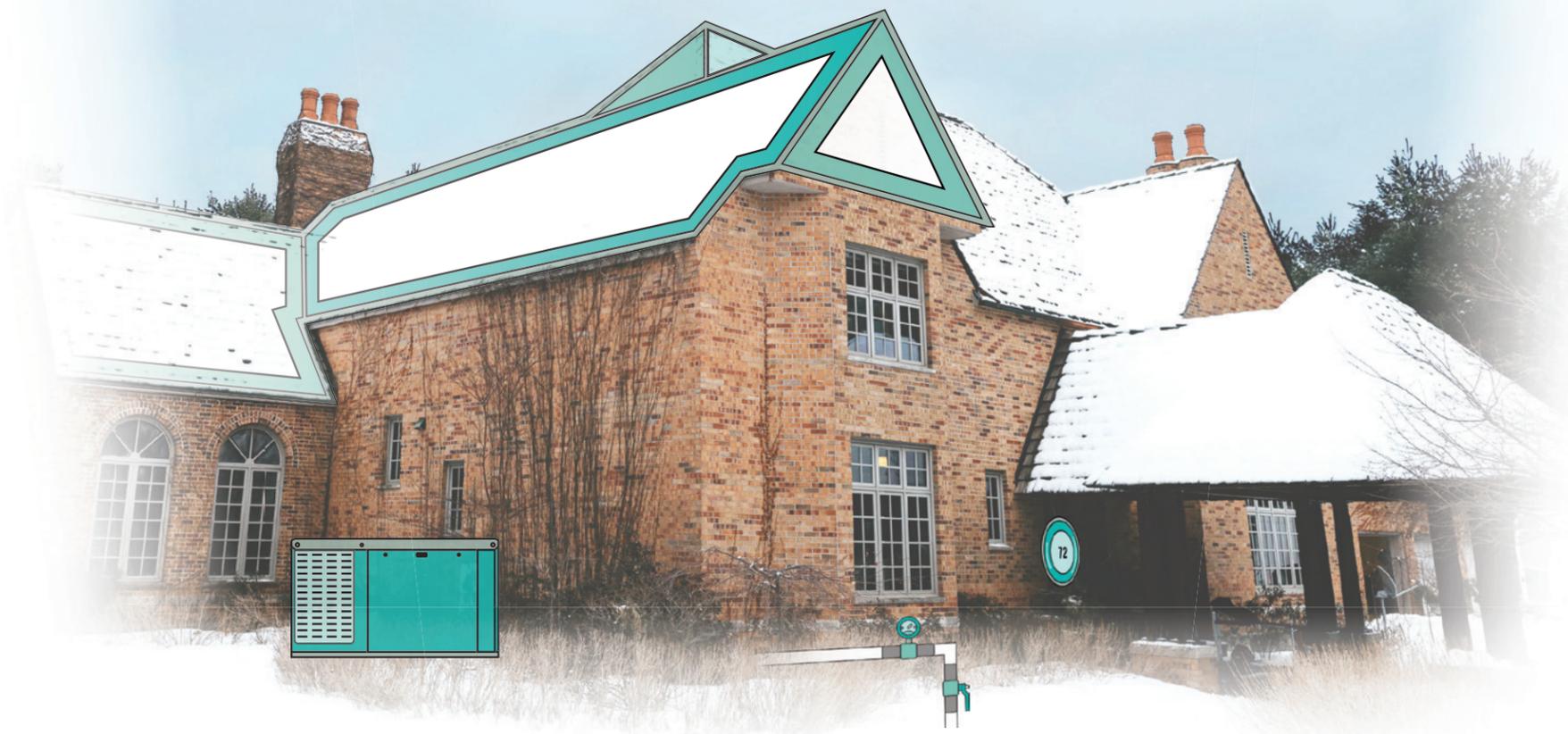
IN NEARLY EVERY INSTANCE, WATER DAMAGE CLAIMS FROM WINTER WEATHER CAN BE AVOIDED OR SIGNIFICANTLY REDUCED.

¹Based on members to whom PURE provided coverage for Additional Living Expenses.

WINTER WEATHER

What You Can Do

Ultimately, water damage caused by winter weather can happen whether or not you are home. However, there are measures you can take to help protect your property—from taking advantage of technologies that monitor and automatically shut off water flow to maintaining your home’s systems properly and hiring a caretaker to check on your residence while you are away. Some of these steps can even help you save on the cost of your insurance. The following advice will help to improve your home’s resiliency to this common threat, as well as mitigate the potential inconvenience and disruption you could face if a winter weather loss occurs.



GENERATORS

Whole-House Generator. A permanently installed whole-house generator will keep critical electrical and heating/cooling systems in your home operating during a power outage, helping to prevent costly and disruptive losses that could arise. Not only do power outages cause frozen and burst pipes; they can also lead to extreme temperatures that damage valuable collections, like wine, antique and wood furniture and artwork.



- PURE members are eligible for a \$250 rebate when purchasing a new generator through our preferred partner.
- You are eligible for a credit on your Homeowners policy once a generator is installed.

COST

\$7,000 - \$30,000 for device & installation¹

LEAK DETECTION

Water Shut-Off Device. An automatic water shut-off device with low-temperature sensors can help you avoid significant disruption, especially during the winter months. This device can detect and alert you to irregular water flow in your plumbing and shut your water off at the main. Some devices will even turn your water main off when a low temperature threshold is reached. Contact Member Services at 888.813.7873 to determine which water shutoff device is best for you. Factors to consider include your home’s pipe size, mobile or web app capability, connectivity to a central station alarm, backup battery and warranty.



COST

\$500 - \$1,700 for device

\$300 - \$600 for installation¹

- Each of PURE’s preferred vendors offers discounts on these solutions.
- You may qualify for a credit on your Homeowners policy once one of these devices is installed.

PURE’S PREFERRED VENDORS BY COST

	FloLogic	Leak Defense	Phyn	Flo by Moen	Water Hero
Price (1" device) ²	\$1,995	\$2,399	\$699	\$550	\$749
PURE Member Price	\$1,696	\$1,599	\$594	\$425	\$674

²Pricing may fluctuate based on the size of your pipes.

TEMPERATURE MONITORING

Smart Thermostats. A smart thermostat can enable you to monitor the temperature of your home while you are away. If the temperature drops, the thermostat can alert you as well as your home security provider (if the device is connected to your home security system) so action can be taken. Set your heat to a minimum of 65 degrees Fahrenheit. When it is very cold, setting the heat below this threshold may not be enough to prevent pipes from freezing, especially if your home is unoccupied.



COST

\$95 - \$500 for device

\$150 for installation¹
Can be self-installed

INSULATION

Attic. Homeowners often focus on proper insulation, but proper ventilation is just as important in preventing ice dams and burst pipes. A licensed contractor can inspect your attic to ensure that these measures are adequately addressed. The contractor can also assist in improving ventilation by installing vents on soffits, ensuring there is sufficient airspace between the roof and insulation and preventing the flow of warm air from living spaces to the attic above.



Living Area. Codes for proper insulation vary by geography. A licensed contractor should ensure your living area is adequately insulated per local code. 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.

Pipes. If pipes are present in exterior walls or unheated areas of your home, like your attic or basement, outfit them with foam-rubber insulation to prevent them from freezing when temperatures drop.

COST

\$1-\$4 per sq. ft. of insulation

Installation cost varies by project size

COST

\$3-\$5 per sq. ft. of insulation

Installation cost varies by project size

¹Installation 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, service provider and demand.

WINTER WEATHER

Sondra & Michael Bloch

Had Sondra Bloch not been barefoot when she stepped into her walk-in closet, she wouldn't have noticed that the carpet was wet beneath her feet. So, she wouldn't have checked if the wall behind her clothes was also wet or investigated her son's adjacent bedroom to discover the same problem.

Sondra called PURE and a water remediation company soon arrived at her home. The company set up large fans to dry out the area, leaving Sondra and her husband, Michael, to believe that an isolated incident was under control.

It had been a cold winter in Massachusetts and snow had built up on the roof of the Blochs' home. When temperatures rose, the melting snow refroze into ice dams, which allowed pooled water to seep under the roof shingles and into their home.

As it continued to snow over the next several weeks, additional ice dams formed. "It was taking over the whole house," Sondra said. "It was like a domino effect. It started with the roof and came down all three floors to the finished basement."

Sondra and Michael Bloch at their secondary home in Cape Cod.



Every few days, the Blochs' furniture and artwork would have to be moved to another room so fans could dry the newly impacted area. "Everything was wrapped in plastic," Sondra said. "It was like a hazmat scene."

In the end, only one room in the Blochs' home was left undamaged.

The Blochs would be displaced from their home for five months to allow for repairs, so PURE located suitable temporary housing to afford Sondra and Michael the same standard of living.

"Our Member Advocate was a better advocate for my family than I was at the time," Sondra said. "I was thinking, 'We just need a roof over our heads,' but she reminded me that we needed more than that. It made me feel like PURE was on our side and we were truly taken care of."

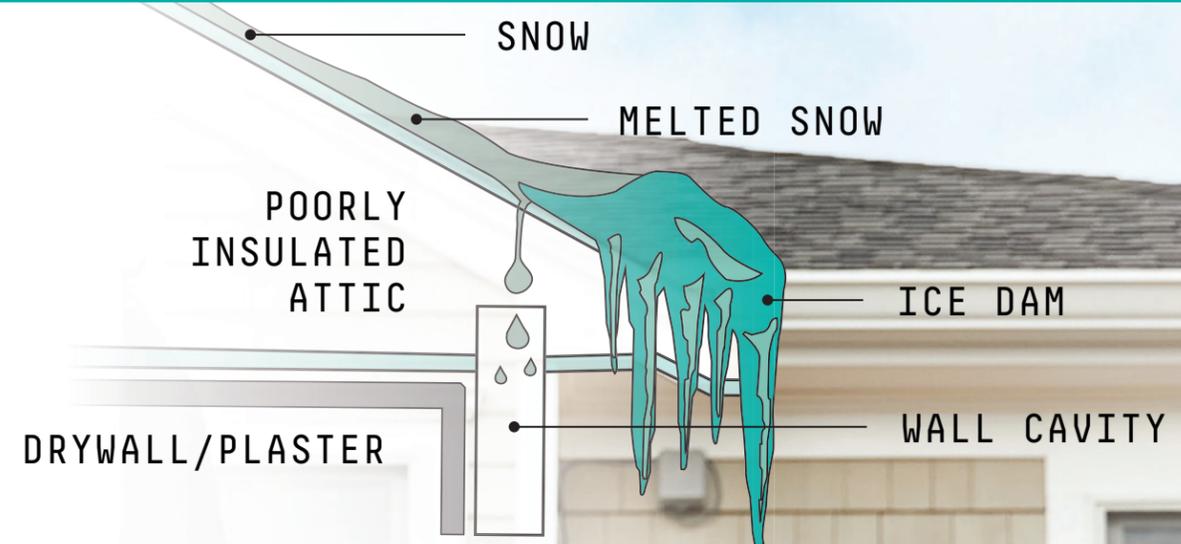
When they bought their second home, a beach house in Cape Cod, Sondra said they paid extra attention to its roof and have been highly attuned to the risk of ice dams each winter since. "Every time it snows, my neighbors have someone come to plow their driveways," she said. "I have someone come to rake the snow off the roof."

What is an ice dam?

When warm air from the attic or changing outdoor temperatures cause snow to melt, water may run down the surface of the roof and re-freeze near gutters and eaves. As ice forms near these areas, it can block subsequent water run-off, creating a "dam" that allows pooled water to make its way under shingles. As the water re-freezes, it can lift shingles up from the roof, creating the opportunity for water to enter your home.

Ice dams can form relatively quickly, and they can even occur in the time that it takes you to go to work and return home. However, resulting interior damage may not be visible right away. Ice or water on a home's siding or around a window frame are some of the common indicators that an ice dam has formed.

"EVERYTHING WAS WRAPPED IN PLASTIC," SONDRAS SAID. "IT WAS LIKE A HAZMAT SCENE."



DALLAS TORNADOES

PURE's Single Largest Catastrophe Since Inception

Some catastrophes, like hurricanes, can be tracked far in advance of when their impacts are felt, giving families time to prepare their homes or even evacuate if necessary. Tornadoes present a different challenge, often striking with extreme force and little to no warning.

The tornadoes that tore through North Dallas on the evening of Oct. 20, 2019, were no exception. With wind speeds reaching up to 140 miles per hour, the storms leveled homes, uprooted trees and snapped utility poles in half. More than 160 PURE members were impacted with an average claim cost of over \$300,000.

One of the unique challenges following a severe weather event like this is the sudden surge in demand for materials and contractors to help in recovery efforts. This becomes even more difficult when a densely-populated area is impacted. With resources in high demand, contractors can charge much higher rates than is typical, often increasing the cost of settling a claim. As homeowners and insurance companies compete for resources, it can be difficult to locate trustworthy and skilled contractors, and it may be months before repairs are addressed.

Insurance companies aim to help you get back to normal as quickly as possible following a loss and provide value in the recovery process with special access to resources and supplies. PURE's Catastrophe Response Team works diligently to help you locate the resources you need following an event. While it proved to be particularly challenging to find the craftsmanship needed to repair and rebuild members' unique and high-quality homes impacted by the Dallas tornadoes, PURE was able to leverage a panel of emergency contractors to address their immediate needs.

To deliver the most seamless experience possible, PURE is creating a network of pre-vetted service providers, including trusted general contractors and specialists skilled in high-quality craftsmanship who have priority access to scheduling at negotiated prices. This will ensure that resources will be ready when catastrophe strikes, as well as alleviate the burden on you to locate and evaluate contractors, and help you get back to your life more quickly.

A Damaging Path

Tornadoes are capable of catastrophic destruction, and they can strike anywhere. However, the density of the population in the area impacted is an important factor in the amount of damage caused. Take the 2011 tornado that tore through western Massachusetts, for example. The powerful tornado led a 40-mile path of destruction throughout the state, resulting in \$200 million in damage. While the Dallas tornado carved a path only half its size, the damage was 10 times more severe due to its impact in a more densely-populated area.



2011 Springfield tornado path.



2019 Dallas tornado path.

WHILE SUPERSTORM SANDY HAD THE GREATEST IMPACT ON OUR LOSS RATIO, THE DALLAS TORNADO EVENT HAD THE FOURTH LARGEST IMPACT DUE TO THE SHEER DESTRUCTION CAUSED BY TORNADOES COMBINED WITH THE LARGE POPULATION OF PURE MEMBERS AFFECTED.

THE IMPACT OF CATASTROPHIC EVENTS

When looking at loss data over the past 10 years, the 2019 Dallas tornadoes are the industry's 22nd most expensive catastrophic event, as hurricanes and wildfires typically affect larger geographies and cause more damage. For PURE, however, this event was the single-costliest catastrophe since the company's inception, totaling more than \$60 million in damage to members' properties. To take the growth of the business into account, the chart below ranks the history of events by their impact on PURE's loss ratio—the ratio of claims paid relative to premiums collected.

PURE RANK	YEAR CAT EVENT	LOSS RATIO (%)	LOSS AMOUNT (\$MM)	INDUSTRY RANK BY LOSS RATIO
1	2012 Superstorm Sandy	25.9%	\$37.6	2
2	2011 Hurricane Irene	8.6%	\$8.9	9
3	2017 Hurricane Irma	6.6%	\$46.9	1
4	2019 Dallas Tornadoes	5.7%	\$64.0	22
5	2017 Hurricane Harvey	5.1%	\$36.5	3
6	2015 Northeast Winter Storm	5.0%	\$20.8	19
7	2016 Hurricane Matthew	3.3%	\$18.5	16
8	2017 Wildfires	2.9%	\$20.9	4
9	2018 Wildfires	1.8%	\$15.5	5
10	2018 Hurricane Florence	1.8%	\$15.2	10



DALLAS TORNADOES

Gail & Ron Berlin

After living in many houses over the course of their marriage, Gail and Ron Berlin had found their forever home. It was an expansive Mediterranean-style house surrounded by several large trees that gave the property its unique character. It was these trees that attracted Ron to the property.

The couple had just completed an 18-month renovation project at their home; there was little left to do but choose what color pansies to plant. But on the evening of Oct. 20, 2019, all of that changed in a matter of seconds.

"The skies started to look ominous," Ron remembered, "and then the tornado sirens went off." Ron and Gail rushed to their basement, but before they reached the bottom of the stairs, the storm hit the house. "Luckily we were safe, but everything was devastated."

Solid walnut doors blew off their hinges and tore through a painting that hung in the foyer. A grandfather clock flew across the room.

Many of the belongings that the couple collected over the course of their lives were scattered on the floor.

"We worked so hard to put our home together," said Ron. "Seeing all of that destroyed was very emotional."

The damage outside was even worse; nearly all of the trees Ron was so passionate about had been knocked down. The greatest loss was a century-old oak where they had taken pictures of their grandchildren just two days earlier.

"We were devastated," continued Ron. "But after speaking to our claims adjuster, we felt confident that PURE was going to be there for us."

When one of our members suffers a loss, it often takes the most talented artisans and engineers, as well as special materials, to restore their exceptional homes and the rare, often one-of-a-kind

Roof Wrapping Technology

Days after the Dallas tornadoes tore through North Texas leaving behind widespread and extensive damage, blue tarps could be seen covering the rooftops of impacted homes. As more rainstorms were forecasted, this was an important step in protecting a home and all of the contents inside from additional damage until repairs could be made. However, even these coverings are vulnerable to leaking during storms and flapping in windy conditions, requiring multiple reattachments and sandbags to keep them secure. To better protect members' homes, PURE worked with specialists to install an innovative weatherproof shrink wrapping material designed to better withstand the elements and maintain a water-tight seal around the edges of a roof.

objects they keep. Putting the Berlins' custom home back in order meant temporarily reopening a quarry to source Travertine marble to match the original patio that was destroyed. Their Italian clay tile roof would need replacing. Several pieces of their 18th and 19th century European art collection required restoration services coordinated by The Haven Art Group. One painting, Frederick Morgan's *Father's Return*, was beyond repair, and the Berlins were fully compensated for their loss.

Not wanting to leave their home unattended during repairs, Ron and Gail returned three days after the storm and made do as best they could. They celebrated Thanksgiving and Christmas, holidays that they traditionally hosted at their home, with their family in a room draped in plastic tarps. "We were just happy to be together during a very emotional time," said Ron.

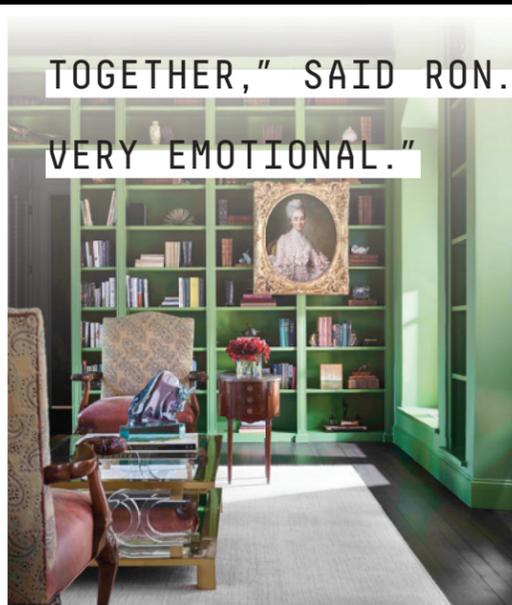
As work at the Berlins' home was completed, there was one final step: they planted 31 new trees to help restore the property for the next generation. "While other homes in our neighborhood are untouched, we are so thankful that PURE walked this journey with us to the finish line."

A century-old oak tree, a unique and meaningful characteristic of Ron and Gail Berlin's Dallas, Texas property, was uprooted during the tornadoes' high winds.

Images of the interior and exterior of the home are courtesy of Denise McGaha Interiors.

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COLLECTIONS

A Commitment To Purpose

Many PURE members share a passion for collecting art and antiques. To support this passion and provide greater value, we acquired The Haven Art Group in 2017. Haven provides museum-level services, expertise in high-value collectibles and fine art and corresponding risk management advice.

Over the years, we've accumulated damaged art from claims where the pieces were deemed total losses or the restoration was not viable or cost effective. With these works, we've created a salvaged art gallery and interactive museum at PURE's headquarters in White Plains, New York to remind employees of our purpose. In this space, we share the stories of our membership, illustrating common causes of loss with real-life examples. This information educates employees about the services and loss prevention advice we offer, so that we can pass the information on to you. Despite their "imperfections," these salvaged works of art reinforce why we exist and educate on the importance of preparing for the unexpected.

Following are a few stories and some risk management advice that are highlighted in the art gallery.

PROFESSIONAL RESTORATION

Employing trusted and skilled professionals and conservators is key to restoring your artwork and collectibles to their original condition. Delivering the damaged pieces to conservators in an expeditious manner can also be integral to successful restoration and maintaining the value of the work.



A sump pump failure during heavy rains caused flooding in a member's basement where this lithograph, formerly by Salvador Dalí, was stored. Water breached the frame, leaving behind dark water stains.

Our Takeaway: Works of art damaged by water or fire must be stabilized within 48 hours for the best outcome. When a work on paper is subjected to water, a tideline or stain can form once it dries. Stabilization techniques—such as freezing the paper while it is still wet—can reverse the water damage.

MAINTENANCE & DISPLAY

Formerly Pablo Picasso, *Visage (Face)* No. 144, 1963, earthenware plate

PROFESSIONAL RESTORATION

Formerly Salvador Dalí, *The Judgement of Paris*, 1979, lithograph

MAINTENANCE & DISPLAY

Thoughtful placement and professional installation can greatly reduce risk to your collection and, in some cases, eliminate accidental damage altogether. Some of the most frequent types of losses we see are from placing artwork in highly trafficked areas; in areas that may be shady when first hung, but are later exposed to the sun's harmful UV rays; or for works installed by people whom you've hired and entrusted to help you, but lack the experience or instruction to properly handle valuable art. If you employ household staff, Haven can help write manuals specific to your collection and help train on protocols for cleaning and handling valuable collectibles.

While cleaning, a housekeeper accidentally broke this plate, formerly by Pablo Picasso, then compounded the damage by attempting to glue it back together.

Our Takeaway: Lightweight pieces can be adhered to the surface on which they sit with museum putty, a material strong enough to hold an object in place during earthquake-force tremors.



The Visual Artists Rights Act of 1990 (VARA)

This act was the first federal copyright legislation in the United States to grant protection to artists' moral rights. Under VARA, an artist has the right to prevent use of his or her name on any work that has been distorted, mutilated or modified in a way that would be detrimental to the artist's honor or reputation. If an artist renounces one of his or her pieces that has been compromised, the work loses its value. For this reason, throughout the salvaged art gallery, we no longer credit artwork to the artist that originally created it; we instead state that it is "formerly" by a named artist.

PACKING, SHIPPING & STORING

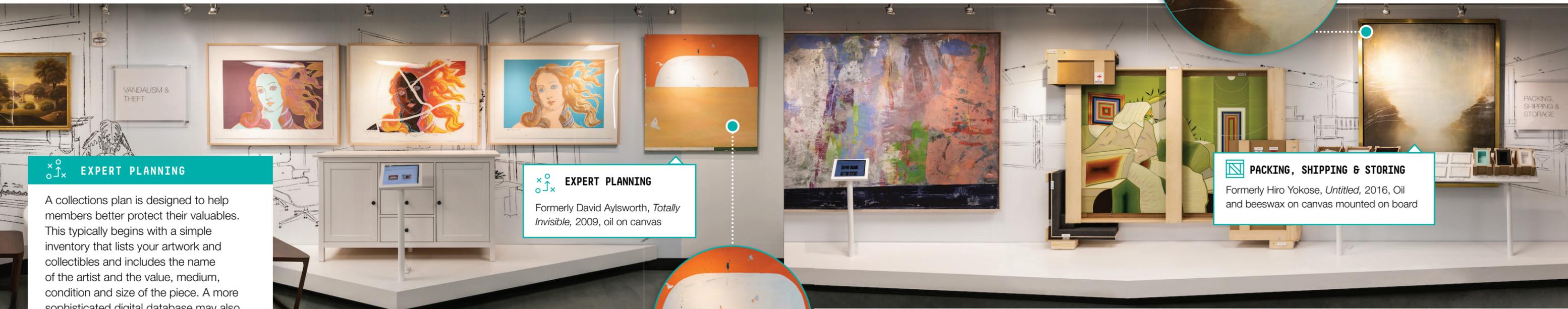
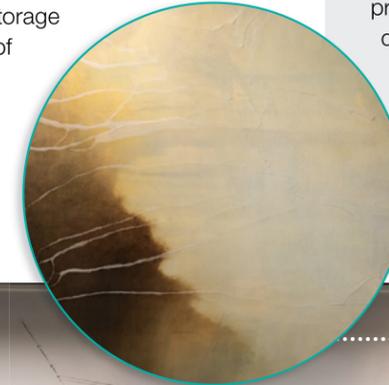
Proper wrapping is just as important as proper shipping and storage. Materials like tissue paper are too soft and flexible, styrofoam is too rigid and bubble wrap can leave damaging impressions. When your artwork is moved to another residence or loaned to a gallery or museum, hiring art handlers and installers to professionally pack your pieces can be just as important as ensuring proper deinstallation, transportation and reinstallation.

Valuable pieces that are not on display should be stored in a climate-controlled

environment, whether at a secure off-site location or in your home. If kept in your home, artwork should be wrapped in protective material, such as Poly sheeting. All items should be elevated at least 2 to 3 inches off the ground to prevent damage in the event of flooding. Haven can help coordinate and supervise the professional storage and shipping of your artwork.

This painting, formerly by Hiro Yokose, was soft packed in cardboard and blankets and transported cross-country in a truck. Because it was not in a climate-controlled environment, the wax began to crack and lift during the journey.

Our Takeaway: When artwork is transported, it is imperative that it is professionally packed in a museum-quality crate and shipped in a climate-controlled environment. Artwork should be kept at about 68 degrees Fahrenheit and about 50 percent humidity at all times.



EXPERT PLANNING

A collections plan is designed to help members better protect their valuables. This typically begins with a simple inventory that lists your artwork and collectibles and includes the name of the artist and the value, medium, condition and size of the piece. A more sophisticated digital database may also include prior appraisals and purchase documents. When reviewing these records, we frequently find items that are duplicative, underinsured, misidentified or unrecorded entirely. Adding supporting photographs of each piece helps to strengthen the accuracy of this catalog. This is especially important for collections that are moved from a primary residence to a vacation home. Creating and maintaining these records streamline the recovery process in the event of a claim.

For higher valued items, we recommend more frequent appraisals and regular updates. Works by high-profile living artists also tend to have values that are subject to greater fluctuation, hinging on factors such as auction records,

museum interest, gallery representation and public relations.

Advanced risk management is recommended for museum-quality collections and for members in catastrophe-prone areas. Having a disaster response plan in place ensures that you are prepared in advance of an event and, if needed, can help you recover more quickly if one impacts your area. With the help of experts, this plan will list steps to take before and after a storm hits, trusted vendors to contact in the event of an emergency, protocols for evacuating the collection and recommended timelines to follow if you need to deliver damaged art and collectibles to conservators.

EXPERT PLANNING

Formerly David Aylsworth, *Totally Invisible*, 2009, oil on canvas

This painting, formerly by David Aylsworth, was stolen from our member's home. The Haven Art Group worked closely with a local police SWAT team to recover the artwork, but the piece was damaged beyond its value during the theft, in part due to inherent vice.

Our Takeaway: Keeping a detailed, up-to-date inventory or digital database of your collection can help expedite the delivery of these details to the authorities and is critical in the recovery process.

Inherent Vice

"Inherent vice" is a technical term used to describe the instability of the components of which a work of art is made. Insurance policies are typically designed to cover sudden and accidental loss and sometimes even the deterioration caused by external factors. Inherent vice is generally not covered under insurance policies. Therefore, when purchasing artwork, it is important to consider its condition and to monitor it over time, ensuring the environment where each object is kept is ideal for its particular medium. Tracking artwork condition over time in a database will help with noting issues and ensuring they are addressed before damage occurs.

Of note, the artist created *Totally Invisible* by using a synthetic glue product to prime the canvas, adding a layer of gesso to help bind the paint, then began building it up layer by layer. Therefore, after the artwork was stolen, improper handling and a lack of climate control triggered paint flaking evident throughout the surface. While the deterioration may have partially been a result of the materials used, the original cause of loss was theft and thus the loss was covered by PURE.

PACKING, SHIPPING & STORING

Formerly Hiro Yokose, *Untitled*, 2016, Oil and beeswax on canvas mounted on board

To take advantage of services from The Haven Art Group, contact **312.376.8115** or **info@havenartgroup.com**.

PURE INSURANCE

A Member of the Tokio Marine Group

Since our inception in 2006, we have enjoyed many milestones. We formed PURE, a reciprocal exchange dedicated to an alignment of interests with the membership; launched products and services designed to meet your unique needs; earned an AM Best financial strength rating in the “Excellent” category; opened offices across the country; earned recognition for our culture, service, innovation and excellence in our niche; and saw our gross written premiums cross into the billions.

Another important milestone on this journey took place in late 2019 when Privilege Underwriters, Inc. (PUI), the holding company that includes PURE Risk Management, LLC, the Attorney-in-Fact of PURE, agreed to be acquired by Tokio Marine Holdings, Inc. (Tokio Marine). The transaction was completed in February 2020.

TOKIO MARINE

With a legacy of more than 140 years, offices in more than 45 countries and regions and over \$32 billion in net assets, Tokio Marine has cemented itself as one of the largest and most respected insurers in the world. Tokio Marine places a significant emphasis on culture by looking beyond results and aspiring “To Be a Good Company.”

Tokio Marine’s Purpose: To Be a Good Company

We will be there for our customers, playing our part in society in times of need. We will balance our strength as an organization with compassion as individuals, looking beyond profit to deliver fully on our commitments. Through our collective efforts, we will strive to be a Good Company, living up to the trust placed in us.

Tokio Marine has an excellent track record of acquiring leading companies and making them even better. Their U.S.-based acquisitions include Philadelphia Insurance Companies, a commercial property and casualty and professional liability insurer; First Insurance Company of Hawaii, a property and casualty insurer uniquely designed to meet the needs of residents and businesses in Hawaii; Delphi Financial Group, a financial holding company focused on specialty insurance and insurance-related services; and Houston Casualty Company (HCC), a specialty insurance group.

The alignment of our cultures combined with the additive strength and flexibility afforded through our new relationship will allow us to continue to pursue our purpose-driven mission with even greater confidence and strength.

A History of Acquisitions



What does this mean for the PURE membership?

While PUI and its subsidiaries have become part of the Tokio Marine Group, PURE, your insurance company, has not been acquired. PURE will continue to operate as a reciprocal insurance exchange. Following are a few ways the transaction will benefit the membership:

01

This transaction increases the financial strength and flexibility of the PURE Group of Insurance Companies.

The PURE Group of Insurance Companies now has the financial backing of Tokio Marine, one of the world’s largest and most respected insurers. Following the completion of the transaction, AM Best improved The PURE Group’s outlook to “positive” and affirmed our financial strength rating of “A” (Excellent), recognizing the company’s strong balance sheet, operating performance, business profile and enterprise risk management.

02

Our purpose-driven mission has even greater support.

The same management team that founded PURE 14 years ago, and who built it into the company that is dedicated to serving you, remains in place and continues to oversee operations. We remain committed to service excellence and will continue to introduce new offerings and grow the team in place to support you.

In recent months, we have started rolling out a series of updates to help improve the member experience including the new Member Portal, Advice Dashboard and PURE Home Spotlight™. There are exciting plans to continue enhancing our product and service offerings in the coming months.

03

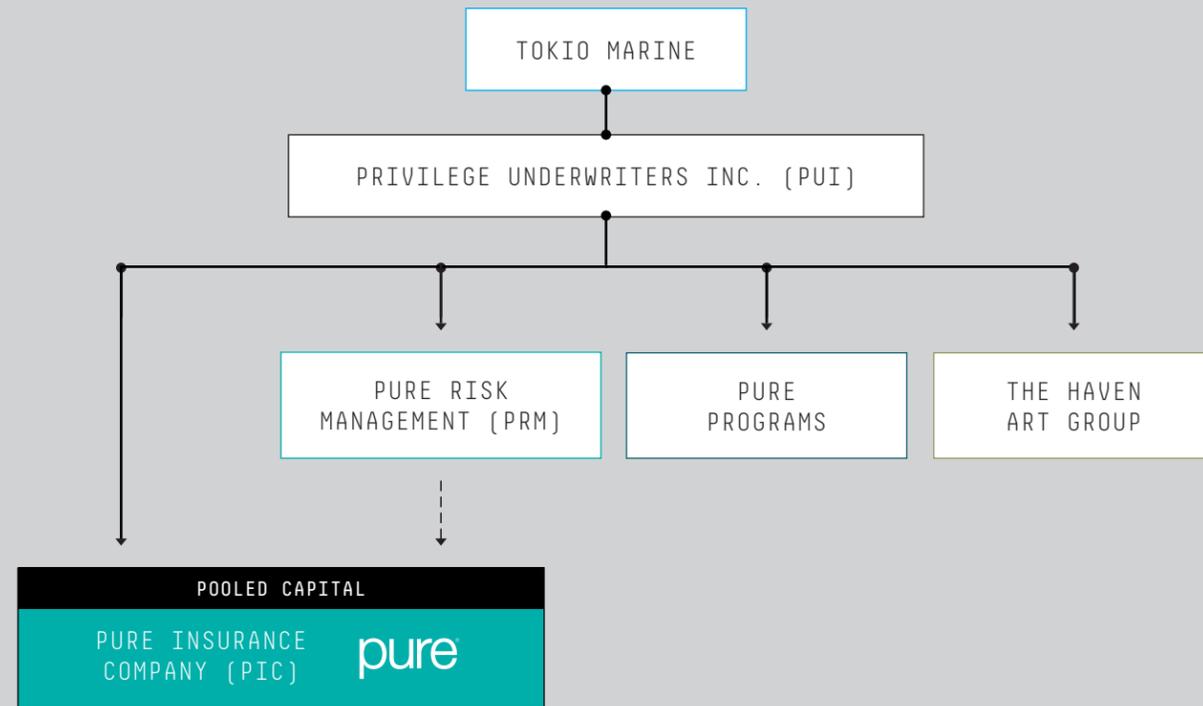
You will continue to receive the same benefits of membership.

The benefits of membership, including contributions to members’ Subscriber Savings Accounts (SSAs), are unchanged. Since inception, PURE has allocated more than \$100 million back to the membership in the form of SSAs, inclusive of the \$22 million allocation for 2019.

For additional information and answers to other frequently asked questions, visit pureins.co/tm-acquisition-facts

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 an alignment of interests.



PRIVILEGE UNDERWRITERS RECIPROCAL EXCHANGE (PURE)

Privilege Underwriters Reciprocal Exchange (PURE) is a member-owned reciprocal insurer.

Members pay their premiums to PURE and contribute, through Surplus Contributions, 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 percent or more annually on Homeowners insurance.

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 surplus growth through allocations to Subscriber Savings Accounts (SSAs). 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 reviewing the annual independent audit for PURE.

PRIVILEGE UNDERWRITERS, INC. (PUI)

Privilege Underwriters, Inc. (PUI) is a holding company for a collection of affiliated businesses that play an important role in making the group work well. 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. This is the entity that was acquired by Tokio Marine in February 2020.

PURE INSURANCE COMPANY (PIC)

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

AM 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. This agreement also helps to strengthen an alignment of interests between PURE and PIC.

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.

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, as well as intellectual capital required to run the insurance operations of PURE.

THE HAVEN ART GROUP

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

TOKIO MARINE HOLDINGS, INC. (TOKIO MARINE)

Tokio Marine Holdings, Inc. (Tokio Marine) is a multinational insurance holding company headquartered in Tokyo, Japan that delivers sustainable growth by providing safety and security to customers worldwide. Their financial backing further supports PURE's financial stability and claims paying ability.



Ross Buchmueller, President and CEO, Privilege Underwriters, Inc., and Satoru Komiya, President and Group CEO, Tokio Marine Holdings, Inc., during a visit at Tokio Marine's headquarters in Japan.



PURPOSE

Cultivating a Purpose-Driven Culture

Our company culture is centered around our purpose of helping members live their lives to the fullest and pursue their passions with confidence. Whether we are directly assisting you with a claim or in a back-office role, purpose is integral to the way that we approach servicing our members, how we communicate with our membership and how we invest in our business.

Here are a few ways in which we activate and achieve our purpose on a regular basis:

Insight

We provide you with personalized expertise to make you smarter about the risks in your life. We favor data-driven insights that inspire action over generic content. One example is the PURE Home Spotlight™, an exclusive member benefit that helps you make a confident buying decision through a better understanding of the risks associated with a home on the market. The report includes information on the home's historical construction permits, prior insurance claims, insurability and property-specific risk factors, like flooding, hailstorms and wildfires.

Prevention

Nothing is more important or impactful than the time we dedicate to making your family, your property and your personal information safer. In 2019, we issued nearly 117,000 alerts from the PURE Situation Room™ and conducted more than 15,000 in-home PURE360™ Risk Management experiences.

Restoration

Even when the most insightful risk management advice is implemented, losses can still occur. When they do, we help you bounce back, repair and demonstrate the power of human resiliency. In 2019, we handled more than 31,000 claims.

Value

We can only fulfill our purpose when we deliver exceptional value to you. One way we achieve this is through allocations to Subscriber Savings Accounts, which will total more than \$100 million following the 2019 allocation.

PURE PRINCIPLES

In order to fulfill this purpose, we ask our employees to follow a set of principles. Our people are talented and know how to do their jobs. From time to time, however, we are all faced with difficult decisions, and the PURE Principles serve as helpful guideposts and reminders to keep us on the right path.

We ask that all employees:

- 01 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 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 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 of 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 Align the Interests of Our Interdependent Stakeholders.** We have many stakeholders, from our members and our broker partners to our investors and reinsurers. 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.

PEOPLE

We take pride in the recognition we have received as a top entrepreneurial organization with a thriving corporate culture, and we take pride in our people who come to work every day to fulfill our purpose. Our offices are energized by employees who go beyond “nice.”

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



Intellectually Curious

Those who seek new insights, new solutions and new skills to improve themselves and our business.



Passionate

Those who love the work that they do and the people they do it with. They enjoy the journey and the time they spend together.



Empathetic

Those who are at their best when they listen, care and remember that members are the center of our story.



Team Players

Those who recognize that through collaboration, they achieve greatness together.

Employee Wellness

Maintaining a strong culture and serving you to the best of our ability begins by fostering the wellbeing of our employees both inside and outside of the workplace. When our employees are highly engaged, healthy and focused, they connect more deeply to our purpose and bring more passion to their work to ultimately serve you better. Through Privilege Underwriters, Inc. (PUI), the holding company for PURE, we have introduced several initiatives that are part of our holistic approach to improving employee wellness.

Promoting Mindfulness

To help employees live healthier, happier and more well-rested lives, we've invested in a guided meditation service. Nearly half of our employees actively use this app for an average of 3.5 meditation sessions per week. In 2019, to further promote physical health, personal growth, stress management and anxiety relief, we introduced twice-weekly group meditation sessions in some of our offices across the country. We also dedicated space in our White Plains, New York headquarters to serve as a personal meditation room where our employees can take a moment to refocus, relax and then return to work with a clear mind.

Encouraging Healthy Living

Our team's physical wellbeing is also directly correlated to the level of service we provide to you. We offer a program with tools and resources to help employees achieve their personal health goals—whether they seek to make healthier eating decisions, increase their physical activity or stop smoking—while providing them with a platform that encourages participation in companywide challenges and the ability to track their progress. Nearly 90 percent of our employees participate in this program to improve their personal wellness.



Employees practice yoga during a colleague-led class at PURE's White Plains office.



Improving Financial Planning

Financial wellness is an important component of our overall wellbeing. In 2019, we introduced a financial planning platform that helps employees make smarter financial decisions that could lead to eliminating debt and achieving stronger financial goals. Because student loans place a significant burden on the millennial generation, which makes up more than 60 percent of our workforce, PUI provides employees with a monthly contribution to their student loan balances. We also provide access to refinancing to help simplify and expedite debt repayment.

PURPOSE

Community Involvement

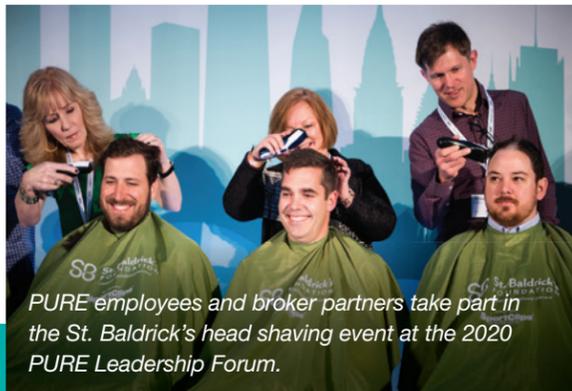
Giving back to the communities in which we live and work has been a vital part of our company culture since inception. Our employees have many charitable passions, and by supporting these efforts, we further activate their connection to our purpose-driven culture. With over 2,600 hours volunteered at more than 30 organizations in 2019, we continue to be inspired by the robust efforts of our team. To make an even greater impact and expand our financial reach across the country, PURE Insurance Foundation introduced a charitable giving initiative in which funds from the fee-based holding company, Prilege Underwriters, Inc., are allocated to assist employees in their grassroots efforts within their own communities. In addition to actively volunteering, through this new initiative, employees can apply for funds to be contributed to the local organizations that they are passionate about supporting.

From volunteering at local children's hospitals and mentoring at-risk youth to participating in nature preservation and wildlife conservation, we seek to support our employees in their evolving community service efforts. Here is a closer look at some of the organizations that our employees championed throughout the year.



WITH OVER 2,600 HOURS VOLUNTEERED AT MORE THAN 30 ORGANIZATIONS IN 2019, WE CONTINUE TO BE INSPIRED BY THE ROBUST EFFORTS OF OUR TEAM.

Capron Levine, AVP, Home Office Underwriting for PURE, addresses attendees of the 2020 PURE Leadership Forum.



PURE employees and broker partners take part in the St. Baldrick's head shaving event at the 2020 PURE Leadership Forum.

ST. BALDRICK'S FOUNDATION

As the largest private funder of childhood cancer research, St. Baldrick's Foundation has raised more than \$282 million in research grants since 2005. We were honored to continue our contribution efforts and host our sixth annual head-shaving event, St. Baldrick's signature fundraising initiative. Five employees shaved their heads at the PURE Leadership Forum in March 2020. Since our first fundraising event in 2015, we have shaved 35 heads and raised more than \$500,000 to go towards St. Baldrick's mission of finding cures for childhood cancers.



PURE's White Plains team gathers at Feeding Westchester, a local food bank, for a day of volunteering.

FEEDING WESTCHESTER

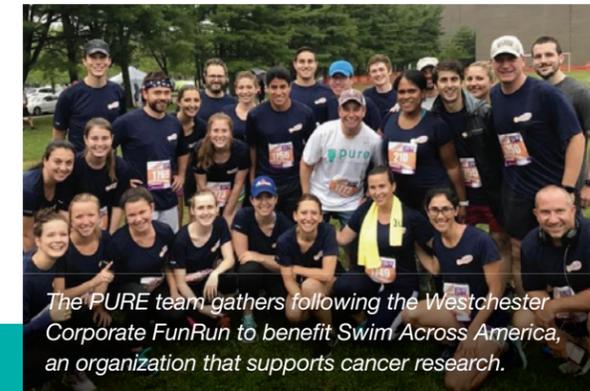
With the mission of ending hunger in surrounding communities, Feeding Westchester is a New York State nonprofit that sources and distributes healthy food to towns in Westchester County. Feeding Westchester provides fresh produce and nonperishable goods for its own programs, as well as for nearly 300 soup kitchens, food pantries and shelters in the area. Our White Plains headquarters participated in a fundraiser to benefit the organization, raising funds and donations totaling 1,300 cans and 398 pounds of food to provide nutrition to those less fortunate in our surrounding community.



Several employees from PURE's Scottsdale office team up to take part in a fundraising walk for National Alliance on Mental Illness.

NATIONAL ALLIANCE ON MENTAL ILLNESS

National Alliance on Mental Illness (NAMI) provides advocacy, education and support for individuals and families affected by mental illness. Our Scottsdale team took part in the Arizona chapter's 2019 Valley of the Sun Walk to support the mission to reduce stigma and raise awareness about mental illness. Funds raised by PURE and other walk participants went toward NAMI Arizona's programs, helping those living with mental illness and their families lead healthier, more fulfilling lives.



The PURE team gathers following the Westchester Corporate FunRun to benefit Swim Across America, an organization that supports cancer research.

HERE ARE SOME OF THE OTHER GREAT ORGANIZATIONS THAT WE SUPPORT:



MEMBER EXPERIENCE

Measuring Member Enthusiasm



Helen Woods, PURE member since 2014, and her children.

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.

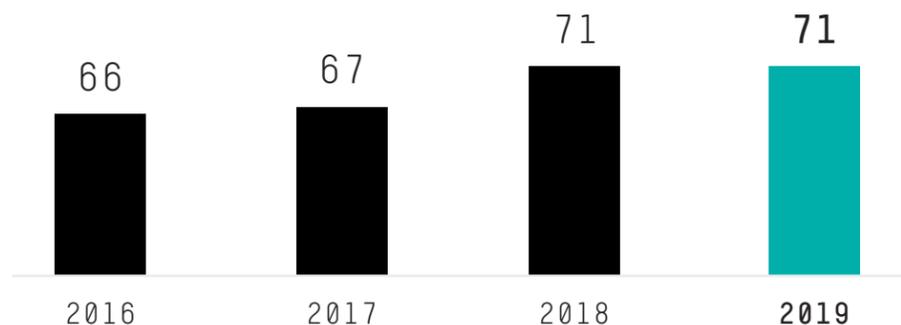
We have completed our first year of surveying the membership on a quarterly basis. With this new process, a portion of the membership (25 percent selected at random) receives a survey each quarter. While each member still receives the survey only once a year, we are able to capture valuable feedback 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. Your feedback in past surveys has led to the introduction of new offerings, like PURE Stirling™ Fraud and Cyber Fraud coverage, to the enhancements of existing offerings, like the redesign of the PURE Member Portal, and to the addition of the Advice Dashboard, a tool designed to help you make more informed decisions about your insurance coverage.

We take this survey very seriously and spend a significant amount of time analyzing the results to uncover trends that are common among our most enthusiastic members. We've found that the enthusiasm of our members is amplified as their relationship with PURE grows in tenure and account size, as they experience our empathetic claims service and as they take advantage of coverages designed to meet their individual lifestyles and tailored needs. Following are some of those findings.

NET PROMOTER SCORE

Our NPS of 71 reflects a highly engaged and enthused membership. We're proud to continue to maintain an NPS more than 30 points higher than the industry average for Homeowners insurance carriers.¹



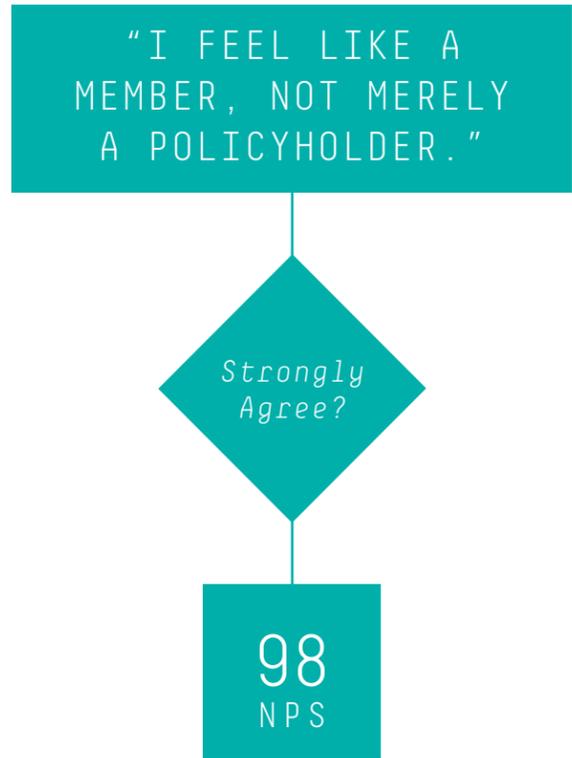
¹ Satmetrics U.S. Consumer 2018 Net Promoter Benchmarks.

FEELING LIKE A MEMBER

PURE was founded on the belief that if we put our focus on the membership, we could achieve something special. By design, the reciprocal is a communal experience. The structure attracts responsible individuals and families that are looking for an efficient way to transfer risk. By demonstrating responsible behaviors, like safe driving and preventative home maintenance, the membership allows the reciprocal to keep premiums competitive while still providing excellent service.

In our survey, we ask members if they agree with the following statement: "I feel like a member, not merely a policyholder." An individual's response to this question is the strongest predictor of overall enthusiasm: it more strongly correlates to satisfaction than members' beliefs about our claims service, ease of doing business and even the cost of their insurance. Members who "strongly agree" with this statement have a near-perfect NPS of 98.

Given these results, we regularly reflect on ways to create an experience that makes you feel that you are part of something special. Community goes above risk pooling and the financial togetherness that's created by the reciprocal; it includes ways we connect members with each other and share the expertise of the group.



ATTRIBUTES OF OUR MOST ENTHUSIASTIC MEMBERS

Several trends continued this year, including higher than average scores for members enrolled in eDelivery and those registered for the Member Portal. Your responses also highlighted additional areas that stood out as significant drivers of enthusiasm, including:

Tailored Products

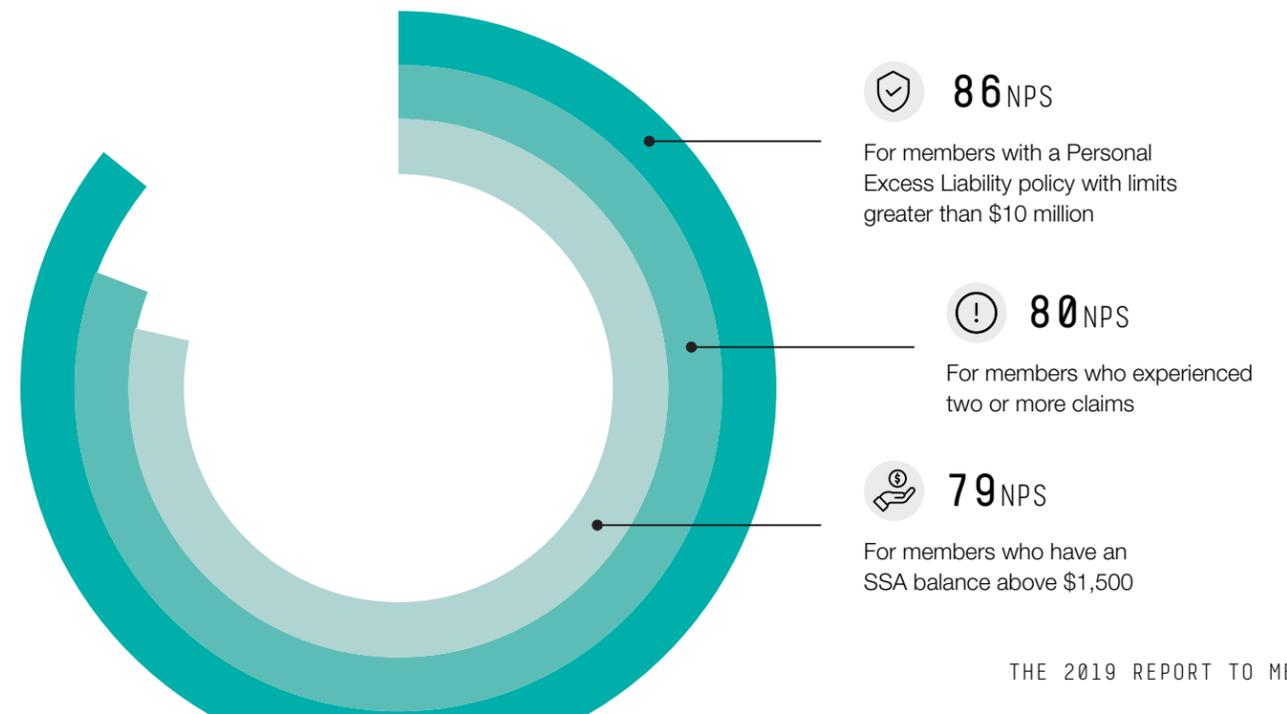
The more that our insurance solutions are seen as valuable or tailored, the higher the enthusiasm.

Claim Activity

When members experience our empathetic claims service, their overall enthusiasm increases.

Tenure and Account Size

Members with longer tenure and larger accounts, measured by the size of their SSA balance, show greater enthusiasm.



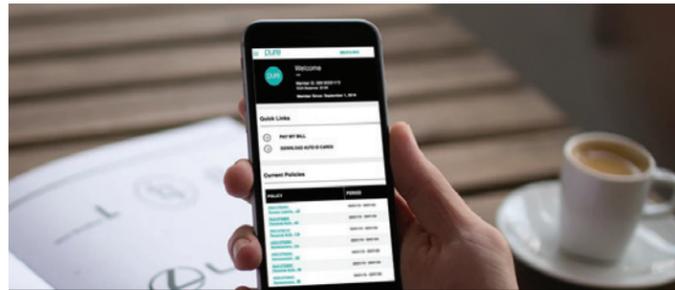
MEMBER EXPERIENCE

Improving the PURE Experience

We are constantly looking for ways to simplify your experience, develop new, valuable services to assist you and create a community of members with shared interests and experiences to help you feel better connected. Below are several ways we execute on this mission.

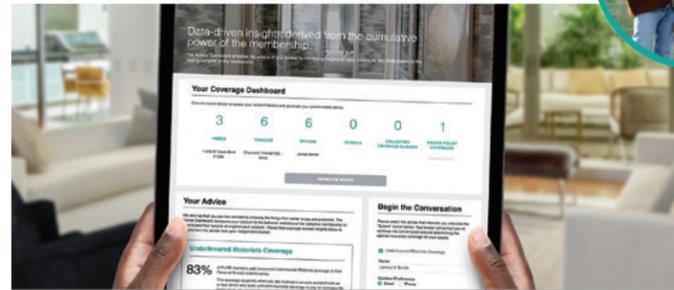
TOOLS TO ENHANCE YOUR MEMBERSHIP

The following services were developed in cooperation with our Data & Analytics, Information Technology, Claims, Product Management, Underwriting, Marketing and Member Experience teams:



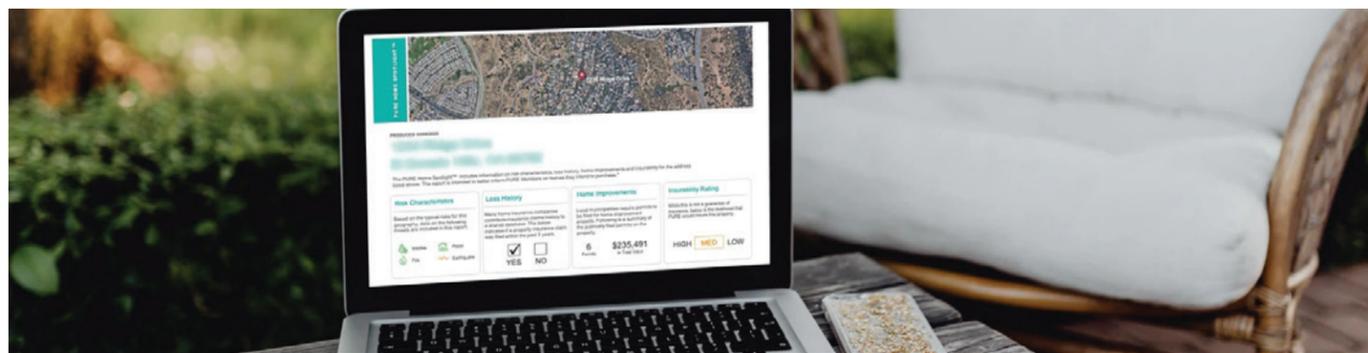
Member Portal

The PURE Member Portal is an important digital complement to the advice and service of your independent insurance broker. It provides you with 24/7 access to your policies, ID cards, bills and other important documents and provides great visibility into the claims process. The redesigned Member Portal features an updated user interface, simplified navigation and several new features to improve your member experience, including an enhanced Claims Tracker, access to services from PURE Member Advocates® and a detailed breakdown of your insurance coverage.



Advice Dashboard

A great experience with PURE almost always starts with the best advice from your expert independent insurance broker. They work hard to make sure that you have coverage in place when it's needed the most and meet with you to review your coverage and ensure it's keeping up with the changes in your life. The PURE Advice Dashboard is a new service designed to amplify the advice of your broker and draws on data from the collective buying habits of the PURE membership to generate insights specific to your coverage and limits.



PURE Home Spotlight™

One in seven PURE members purchased a new home last year. While there are many resources to provide information on real estate costs and neighborhoods, it can be challenging to get insight on the risks specific to a home early in the buying process. PURE combined its deep experience analyzing risks and access to unique data sources to create the PURE Home Spotlight, a new offering available exclusively for PURE members. PURE Home Spotlight arms members with data and insights to help them better understand the risks associated with a home and make a confident buying decision. The report provides information about the integrity of a home that isn't always easy to obtain, including historical details on a home's construction permits and prior insurance claims; property-specific data on risk factors, such as flood, fire, hailstorms, earthquakes and wildfires; and the insurability of the home for sale.

To access these services and many others, log in to the PURE Member Portal at member.pureinsurance.com.

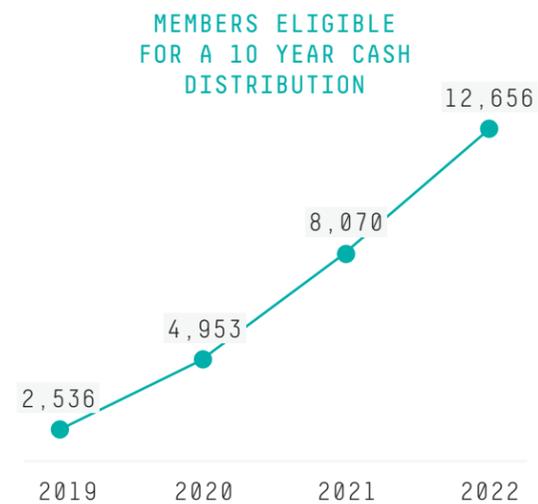


THE PURE MEMBERSHIP IS MADE UP OF MORE THAN 91,000 UNIQUE INDIVIDUALS AND FAMILIES THAT SHARE COMMONALITIES AND SIMILAR EXPERIENCES.

CREATING A PURE COMMUNITY

The PURE membership is made up of more than 91,000 unique individuals and families that share commonalities and similar experiences. Over the years, we helped to connect members who can learn from each other by holding multiple gatherings to celebrate the resiliency of families that completed full home rebuilds after a total loss and coordinated events where like-minded members could discuss topics they are passionate about. Now, more than ever, community can be cultivated in more ways than simply through in-person meetings and social events.

This year, families who experienced similar large losses came together to support each other on their personal journeys of recovery. Members also shared feedback on technology and advice to help make their teenagers safer behind the wheel. These examples show how human connection, even in a virtual world, can help create a powerful community of PURE members.



REWARDING LOYALTY

Since inception, PURE has allocated more than \$100 million back to the membership in the form of Subscribers Savings Accounts (SSAs); this includes the \$22 million allocation for 2019. The funds held within SSAs remain on PURE's balance sheet and are available to PURE to meet claim and expense obligations. They represent an incentive for delivering great services because in the event you leave PURE, the funds within your SSA at that time (less any premiums owed to PURE) will be returned to you.¹

We are happy to introduce a new initiative to reward members who have been with PURE for 10 years or more. These members are now eligible to receive an annual cash distribution from their SSA. More than 2,500 members will be eligible for this distribution for the 2019 year. To learn more, see page 53.

¹Or your estate in the case of death.



PURE employees stand alongside members of the Broker Council during a recent meeting at the PURE Leadership Forum.

BROKERS

A Network of the Finest Independent Insurance Brokers

PURE is proud to partner with a network of the finest independent brokers in the U.S. They serve you well and make us better. These firms understand our values and principles, and we embrace their commitment to providing you independent advice. Their independence lends credibility to their recommendations, and their ability to work with numerous insurance carriers ensures that we must work hard to earn and retain your business. This flexibility allows us to maintain our strict underwriting discipline, as brokers can find suitable alternatives for individuals and families that may not meet PURE's underwriting standards.

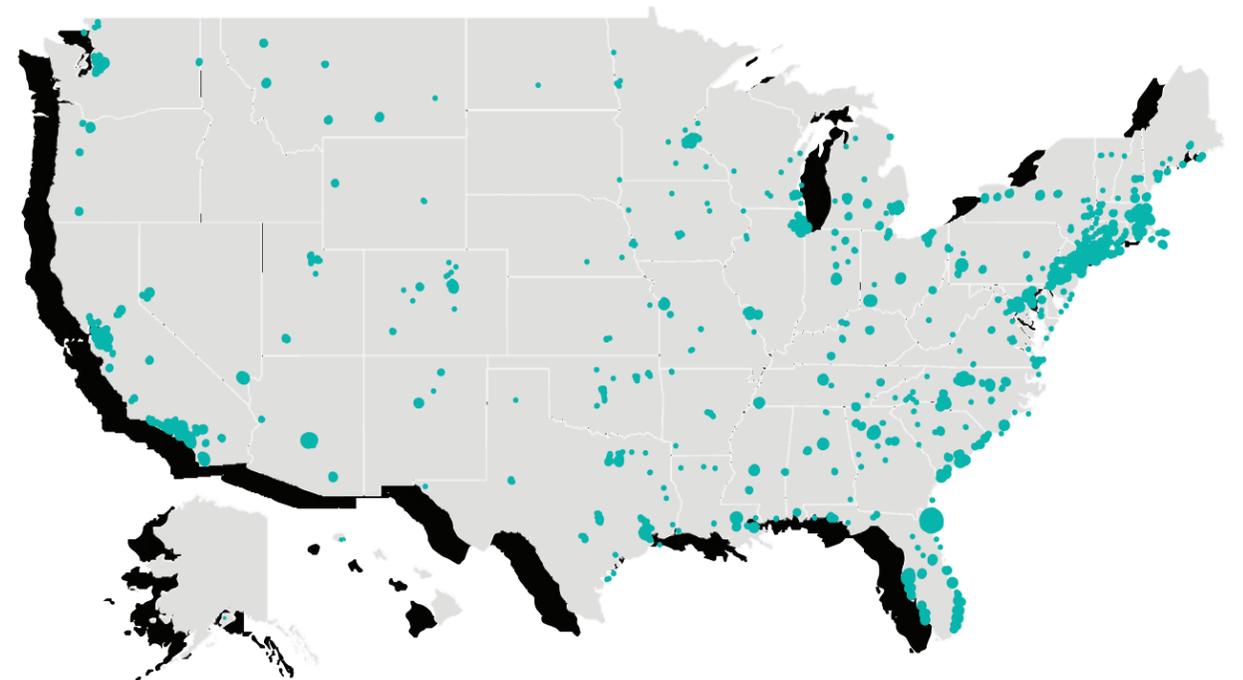
Every day across the country, our team engages with their respective local broker partners in the service of our membership and the pursuit of continuous improvement. Brokers are not shy about sharing great insights on how we can improve. In addition to consistent input from all brokers, we rely on a National Broker Council as a formal way of gaining feedback. The current Council consists of representatives from 12 unique firms that range from local, family-owned agencies to Fortune 500 companies. We value our relationships with our broker partners and look forward to continued mutual success.

PARTNERING WITH A SELECT GROUP OF BROKERS TO BETTER SERVE YOU

As PURE has grown, so too has our network of brokers, but we have maintained a selective process for developing new relationships. Of the more than 30,000 insurance brokers in the U.S., PURE works with fewer than 1,500. We seek to partner with the finest agencies across the country, limiting the number we appoint to only a few in each town, that have a strong understanding of the personal insurance needs of high net worth individuals and families. Their deep community roots and local knowledge enables them to introduce clients to PURE who are most likely to strengthen our membership. Our careful broker selection process helps to ensure a successful partnership and deliver a better member experience.



PURE-APPOINTED BROKERS BY GEOGRAPHY



THE PURE EXPERIENCE

PURE Insurance Championship

2019 marked the third year of PURE's title sponsorship of the PURE Insurance Championship, a PGA TOUR Champions event held annually at the Pebble Beach Golf Links. This tournament is truly a special event and one that we are honored to support. It brings together some of golf's greatest legends to play alongside amateurs and the incredible juniors from The First Tee at one of the world's most spectacular and storied golf courses.

INCREASING PURE'S BRAND AWARENESS

As Kirk Triplett sunk an 8-foot birdie putt in a playoff against Billy Andrade to claim his 17th career professional title, millions of viewers across the country tuned in to witness the excitement. The national media coverage for this tournament goes a long way in helping to increase awareness of PURE. In fact, during the 2019 tournament, we saw a 20 percent increase in website visitors and hundreds of new followers across our social media channels. The Golf Channel also saw a 9 percent increase in ratings.

Amplifying the week-long tournament coverage are year-round advertising, media and public relations opportunities that help to introduce the PURE brand to prospective members and key influencers from coast to coast.

MEMBER AND BROKER ENGAGEMENT

Throughout the weekend, we are also afforded the opportunity to host members and brokers at our hospitality suite on the Wharf at picturesque 18th green of Pebble Beach, and in 2019 we welcomed more guests than ever before. We value the chance to network and personally interact with those who make up the PURE membership, as well as the community of brokers and influential partners who help to grow our business.



A group completes their round on the 18th green at the PURE Insurance Championship.



Junior player Cade Kilanowski, who was paired with PGA TOUR Professional Billy Mayfair, hits a shot from the 10th fairway at Pebble Beach.

LOOKING AHEAD TO 2020

The 2020 PURE Insurance Championship is scheduled for Sept. 15-20. In these uncertain times, and with everyone's health and safety in mind, we anticipate that the format of this year's tournament will be impacted in some way.

You can follow our tournament handle for the latest news and updates: @PUREFirstTee on Twitter, Instagram and Facebook.

INSIDE THE ROPES

Among the members who joined us at the PURE Insurance Championship were Brian and Nancy Quint who experienced the tournament as Honorary Observers. This allowed them to walk the course alongside the PGA TOUR Champions and watch play from inside the ropes.

"It was a world-class event," said Brian. "It was a once-in-a-lifetime experience to walk alongside the greatest champions in golf and the juniors of The First Tee. We felt like more than just customers; we truly felt a part of something special."

"IT WAS A ONCE-IN-A-LIFETIME EXPERIENCE TO WALK ALONGSIDE THE GREATEST CHAMPIONS IN GOLF AND THE JUNIORS OF THE FIRST TEE," SAID BRIAN. "WE TRULY FELT

A PART OF SOMETHING SPECIAL."



PURE members Brian and Nancy Quint join Erik and Kathleen Carlson as Honorary Observers at the 2019 PURE Insurance Championship.

COMMUNITY IMPACT

Together with the AT&T Pebble Beach Pro-Am, the PURE Insurance Championship helps to raise millions of dollars annually to support hundreds of non-profit organizations. Among them is The First Tee, a non-profit organization that impacts the lives of young people by promoting character development, life skills and values through education and golf. Being selected as one of 78 juniors to participate in the tournament is an incredible achievement for the young men and women of The First Tee, and proof of the hard work, talent and perseverance exhibited on and off the course. Congratulations to tournament winners Sam Sommerhauser of The First Tee of Greater Sacramento, who was paired with PGA TOUR Champion Kirk Triplett, and Ashley Mene of The First Tee of Phoenix, who played alongside PGA TOUR Champion Tom Lehman, for clinching the male and female Pro-Junior titles.

CELEBRATING THE HISTORY OF PEBBLE BEACH

2019 also marked a momentous year in the history of Pebble Beach. The course celebrated 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. It also hosted the U.S. Open Championship for the sixth time. It has been an honor to play even a small part in the course's impressive history over the past three years.

THE PURE EXPERIENCE

Awards & Recognition

We are honored to be the recipient of premier wealth management and financial services industry awards in 2019. We believe this recognition is the result of a dedication to serving our membership. We are also delighted to be recognized by national business publications for our company culture and employee engagement. While we are proud of these accolades, we continue to be driven by an approach to service excellence as a journey without a destination—something that can always be improved through curiosity, creativity and innovation.

WORKPLACE EXCELLENCE

With the belief that a great member experience starts with a great employee experience, we work hard to build a culture that supports and empowers our people. Each year, we invest in initiatives that support the well-being of our employees while encouraging growth in their professional craft and personal passions. In 2019, we were named one of *Fortune's* "Best Workplaces in Financial Services & Insurance" and among *Inc. Magazine's* Best Workplaces. These accolades reflect the strong workplace culture and entrepreneurial spirit that allows us to attract and retain outstanding talent.

INDUSTRY EXCELLENCE

The wealth management community has placed great emphasis on transparency, reduced conflict and alignment of interests—three tenets that play significant roles in providing value to our membership. The following are just a few ways we practice these principles: This Annual Report affords you an in-depth look at many aspects of our business, from providing a clear view of our financials to reflecting on where we can improve following catastrophes that significantly impacted the membership. For eight consecutive years, we have made an allocation to members' Subscriber Savings Accounts. We also aim to reduce conflict with our broker partners by encouraging them to do the right thing and act in your best interest, which is explicitly written in each broker contract.

We are honored to be recognized with industry awards, including Best High Net Worth Insurance Company by Private Asset Management for the third consecutive year and Best Insurance Underwriter by The Family Wealth Report for the fifth consecutive year. You should feel confident in your selection of PURE and that your insurance carrier continues to earn these recognitions.



Private Asset Management
Best High Net Worth Insurance Company
2018 | 2019 | 2020



Family Wealth Report
Best Insurance Underwriter
2016 | 2017 | 2018 | 2019 | 2020



Entrepreneur 360
Best Entrepreneurial Companies in America



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



The Inc. 5000, Inc. Magazine
Best Workplaces



Fortune | Great Places to Work
Best Workplaces, Financial Services
& Insurance
2016 | 2017 | 2018 | 2019 | 2020

FINANCIALS

FINANCIAL STRENGTH

AM Best Rating

The PURE Group of Insurance Companies, including Privilege Underwriters Reciprocal Exchange, is rated A (Excellent) with a “positive” outlook from AM Best, one of the insurance industry’s leading rating agencies. This rating reflects PURE’s strong capitalization, backed by the financial strength of Tokio Marine; a highly conservative reinsurance program; management’s track record; and a strong, conservative investment portfolio.



Quoted Premiums

The demand for PURE’s products continued to grow in 2019, as demonstrated by a nearly 13 percent year-over-year increase in quoted premiums, while the percentage of new business we bound decreased. This reflects the selectivity that our underwriters have maintained to allow only the most responsible owners of the finest built homes into the membership.

2017	\$551.1M	28.5%
	PREMIUM	QTB RATIO
2018	\$722.9M	27.6%
	PREMIUM	QTB RATIO
2019	\$816.5M	24.6%
	PREMIUM	QTB RATIO

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.

ANNUAL SURPLUS CONTRIBUTIONS	
2017	\$43.3M
2018	\$50.4M
2019	\$55.6M

Gross Written Premiums

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



The PURE Membership

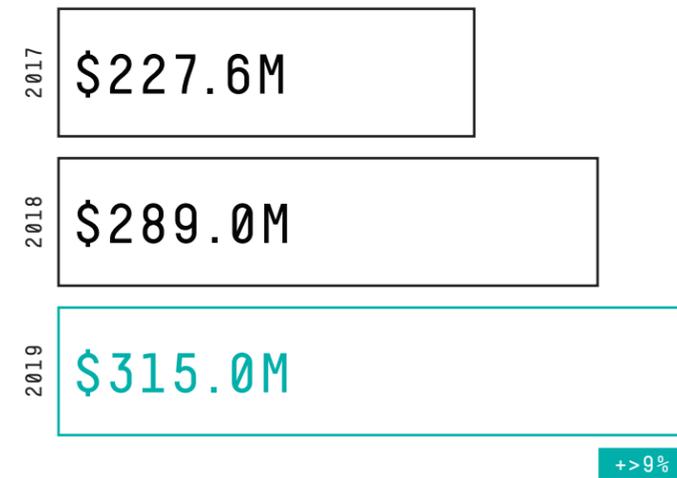
By the end of 2019, the membership consisted of more than 91,000 responsible, successful individuals and families.



Policyholder Surplus

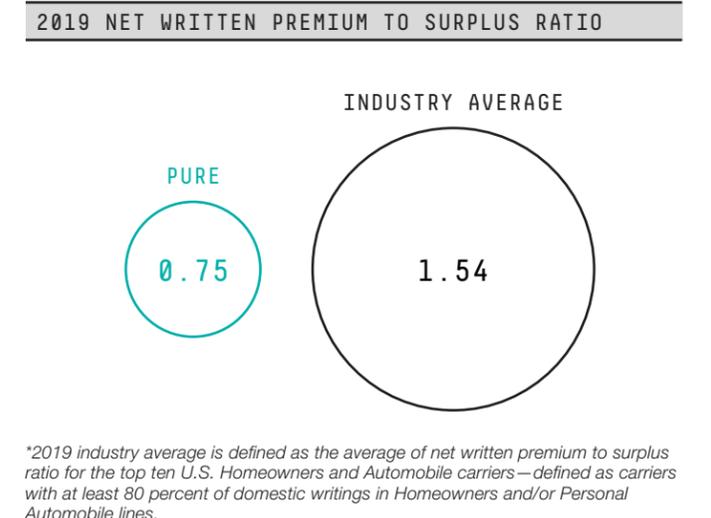
Policyholder surplus represents the capital that allows an insurer to meet all of its obligations beyond premiums, reserves and reinsurance.

In 2019, PURE’s surplus grew by more than 9 percent. With the acquisition by Tokio Marine, which has more than \$32 billion in net assets, Privilege Underwriters, Inc. is further strengthened. PURE has never been as financially strong as it is today through organic diversified growth, continued conservative reinsurance programs and the backing of one of the most prominent international insurance carriers in the world.



Net Written Premium to Surplus Ratio

PURE continues to maintain a conservative net written premium to surplus ratio, which is a measurement of financial leverage. The lower the ratio, the less premium written or risk a carrier bears in proportion to surplus—the money available to pay claims after premium, reserves and reinsurance. PURE maintains a lower, more conservative surplus ratio than is typical among personal lines insurers.



PURE’s Combined Ratio

An insurer’s combined ratio measures losses and expenses against premium to help evaluate underwriting results. A combined ratio below 100 percent typically indicates profitability. Management monitors the Adjusted Combined Ratio to reflect the impact of reinsurance and 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. In 2019, PURE’s Adjusted Combined Ratio was 96.2 percent—indicating operational profitability and organic growth of the membership’s surplus.

96.2%
2019 ADJUSTED
COMBINED RATIO

Reinsurance Spotlight: Munich Re

The best reinsurance relationships are those that are long term and focused on growth. Our relationship with Munich Re began in 2007 with the organization's support of PURE's Fine Art coverage. Over the years, our partnership has expanded to include coverages such as Watercraft, Homeowners, Excess Liability and Catastrophe. In 2016, PURE partnered with a subsidiary of Munich Re to introduce an enhanced Equipment Breakdown coverage, and in 2017, we collaborated to bring members PURE Starling™ Fraud and Cyber Fraud coverage. Today, Munich Re continues to be one of our greatest supporters.

With over 140 years of risk expertise, Munich Re is one of the top providers for reinsurance, primary insurance and insurance-related risk solutions in the world. The group is globally active and operates in all lines of the insurance business, taking on extraordinary risks worldwide. Munich Re also places significant value on deriving new solutions and developing talent within the insurance industry.

With the launch of their Innovation Lab, Munich Re is dedicated to addressing new customer needs, identifying breakthrough innovations and looking at new technologies that are entering the insurance or reinsurance space.

Munich Re also holds a six-week leadership program that covers advanced insurance fundamentals, reinsurance curriculum and leadership training, and we are honored that Joe Markovich, VP, Central Zone Executive for PURE Group of Insurance Companies, was selected to participate.



From left: Robert Humienny, SVP of Munich Re Americas; Jeff Paraschac, EVP, Chief Financial Officer; Mike Pagano, Ceded & Treaty Reinsurance Manager; and Joe Markovich, VP, Central Zone Executive.

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 by which the reinsurer agrees to share in an equal percentage of premiums and losses over a defined time period. PURE's quota share structure combines the Homeowners, Automobile, Personal Excess Liability, Collections and Watercraft lines of business into one all lines 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 providing PURE with more sustainable capital support.

Per-Risk Excess of Loss

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 automobiles. 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 Excess of Loss

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 coverage 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 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 our important capital providers to foster long-term support.

KEY REINSURERS	AM BEST RATING	PRO-RATA	CATASTROPHE	ALL OTHER
American Ag	A	•	•	
Aspen Re	A	•	•	•
Axa XL	A+	•	•	•
Everest Re	A+	•	•	•
Gen Re	A++	•		•
Hannover Re	A+	•	•	•
Helvetia*	A	•	•	
Liberty Mutual Re	A	•		•
Lloyd's Syndicates	A	•	•	•
Markel	A	•	•	•
Munich Re	A+	•		•
Navigators Re	A	•	•	
PartnerRe	A+	•	•	
RenaissanceRe	A+	•	•	
SCOR Reinsurance	A+	•	•	
Swiss Re	A+	•		
Trans Re	A+	•		

*Helvetia is rated by Standard & Poors

BALANCE SHEET

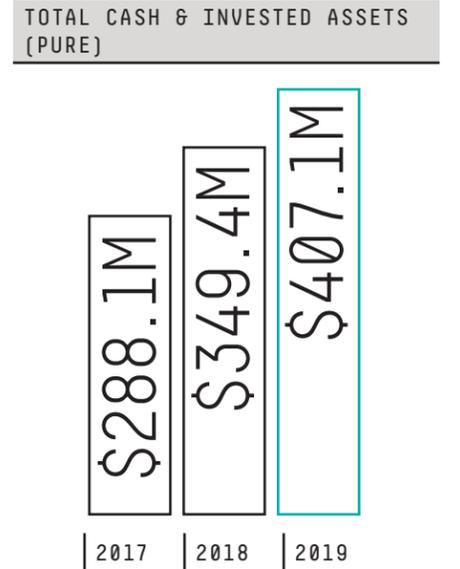
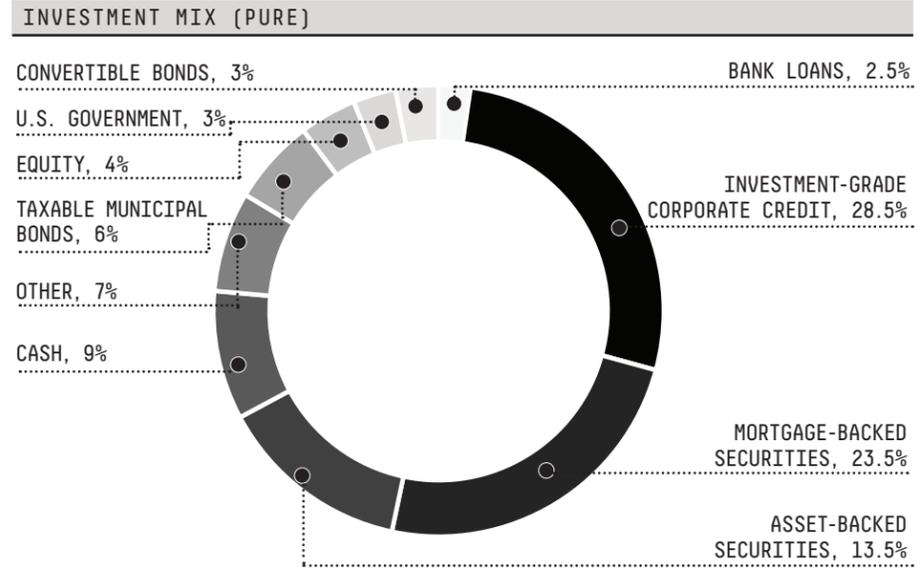
In 2019, PURE strengthened its financial position through the power of Surplus Contributions and its new affiliation with Tokio Marine. Despite PURE handling its largest catastrophe since inception—the Dallas tornadoes—and meeting the needs of members who experienced a record number of large fire losses, PURE's surplus grew to an all-time high of nearly \$315 million. In addition to its balance sheet and reinsurance agreements, PURE's claims paying ability is backed by its pooling agreement with PURE Insurance Company, now owned by Tokio Marine, which recently reported over \$32 billion in net assets.

Dollars in thousands.

PURE	2019	2018	CHANGE	VAR
Total Cash & Invested Assets	\$407,087	\$349,371	\$57,716	17%
Net Accounts Receivable	423,980	343,289	80,691	24%
Other Assets	1,872	1,758	114	6%
Total Assets	\$832,939	\$694,418	\$138,521	20%
Unpaid Losses & Loss Adjustment Expenses	\$83,580	\$62,429	\$21,151	34%
Accounts Payable & Accrued	64,452	54,163	10,289	19%
Unearned Premiums	74,799	45,056	29,743	66%
Reinsurance Payable	265,344	214,368	50,976	24%
Other Current Liabilities	29,777	29,443	334	1%
Total Liabilities	\$517,952	\$405,459	\$112,493	28%
Surplus Notes	\$112,296	\$113,762	(\$1,466)	(1%)
Member Surplus Contributions	225,186	188,573	36,613	19%
Subscriber Savings Accounts	72,675	53,644	19,031	35%
Unassigned Surplus & Other	(95,170)	(67,020)	(28,150)	42%
Surplus as Regards to Policyholders	\$314,987	\$288,959	\$26,028	9%

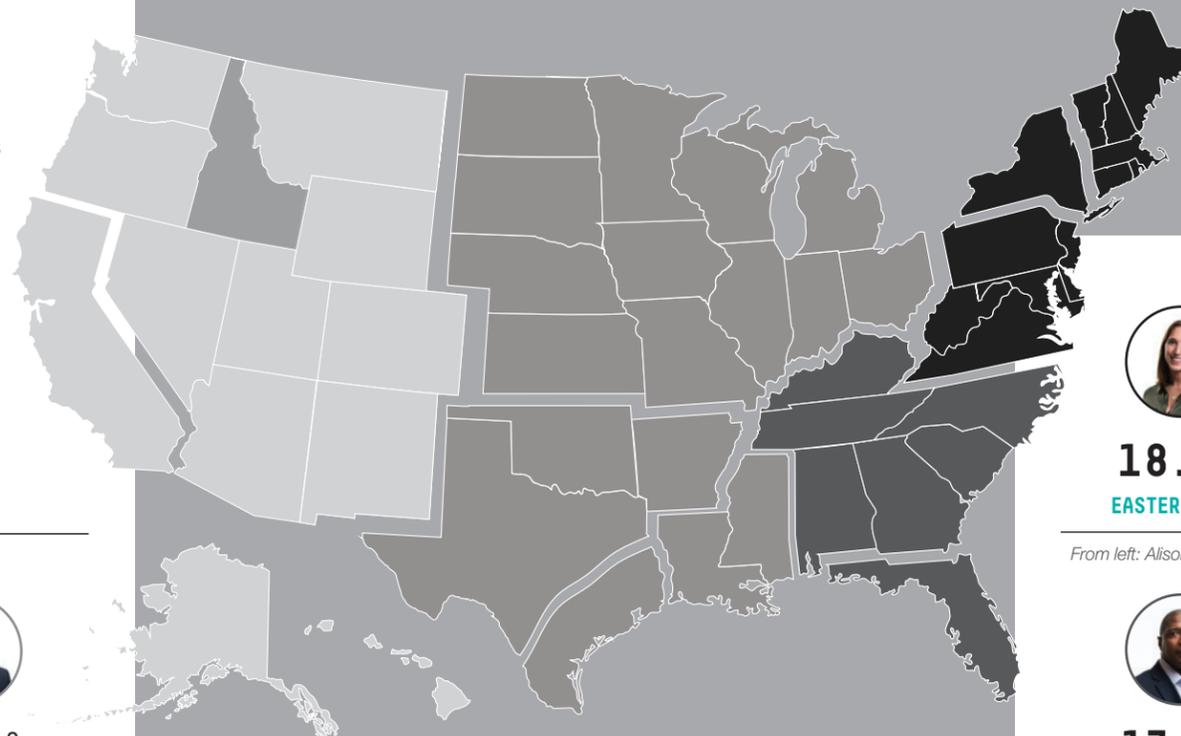
INVESTMENTS

PURE maintains a conservative investment portfolio composed primarily of short-duration, high-credit-quality, fixed-income holdings. These investments performed well during a strong market environment for risk assets in 2019. Exposure to equity investments contributed positively to total investment returns for the year. PURE is continually adding to its investment portfolio and grew its cash and invested assets by nearly \$58 million in 2019.



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 in relation to the overall PURE membership. 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.



2019 growth rate in direct written premium by zone and region.



29.4%
WESTERN ZONE



30.4%
CALIFORNIA



28.2%
WESTERN STATES

From left: Michael Lynch, SVP, Zone Executive; VP, Regional Executives – Jessica Furrow and Caitlin Rascoelles



17.7%
CENTRAL ZONE



14.0%
GULF



19.4%
MIDWEST



21.2%
SOUTH CENTRAL

From left: Joe Markovich, VP, Zone Executive; VP, Regional Executives – Elliot Ebel, Lindsey Meyer and Chris Cassidy



18.3%
EASTERN ZONE



16.5%
MID-ATLANTIC



18.5%
NY METRO



19.3%
NEW ENGLAND

From left: Alison Murphy, VP, Zone Executive; VP, Regional Executives – Anthony Bachich, Michael Kelly and Michael Valluzzo



17.8%
SOUTHERN ZONE



19.2%
FLORIDA

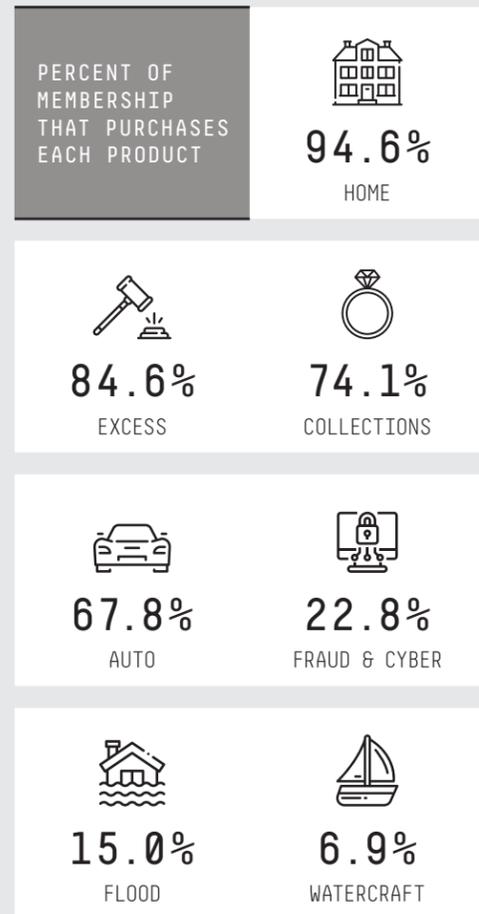


16.1%
SOUTHEAST

From left: James Hasley, SVP, Zone Executive; VP Regional Executives – Mary Artz and Matthew Ripke

PRODUCT DIVERSIFICATION

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 convenience of a single billing statement.¹



PURE Starling™ Fraud and Cyber Fraud Coverage

Fraud and cybercrime are on the rise, and high net worth families are at a greater risk of being targeted due to the potential profit to be made with your personal information. While it is likely that your credit card company and bank offer some level of service and protection, these may fall short in the event that you are impacted by fraud and cybercrime. PURE wants to make sure that you and your family have the resources in place to help you prevent loss and recover more easily if you become a victim.

PURE Starling Fraud and Cyber Fraud Coverage is an optional endorsement that can be added to your Homeowners policy. It offers coverage for financial losses due to fraud, whether it is committed on or offline, and also provides you with access to third-party resources and subject matter experts to help you respond to cyber extortion or a system attack.

The following are examples of losses PURE members have experienced. In each of these examples, PURE Starling helped to reimburse all or some of the funds (up to the policy limits) of which the member was defrauded.

After making an \$11,000 wire transfer to reserve a vacation home through an online rental website, **a PURE member discovered the wire instructions she received were fraudulent.**

A cybercriminal hacked into the email of a PURE member who made frequent large investments and impersonated the member, successfully wiring \$1 million to an overseas account.

A PURE member mailed an \$11,000 check to his contractor for construction work completed at their home. **The check was intercepted by a criminal who altered the payee name and deposited it into their account.**

PURE Starling can be added to your Homeowners policy at limits of \$100,000 (\$250 annual premium), \$250,000 (\$625 annual premium) or \$1 million (\$2,500 annual premium).²

To add this coverage to your policy at the \$100,000 or \$250,000 limit, **visit pureinsurance.com/add-starling**. If you are interested in adding the \$1 million coverage limit or have any questions regarding PURE Starling, please contact your broker directly.

¹Not currently available for primary flood. ²Availability of the \$250,000 coverage limit is subject to no prior fraud or cyber incidents in the past 24 months. Rates may vary for members in Washington. Availability of the \$1,000,000 limit is also subject to a subscription to an active cyber monitoring solution.

MEMBERSHIP MILESTONES

5 YRS

Fifth Renewal Benefit

Upon reaching their fifth renewal, members no longer pay surplus contributions as part of the cost of their insurance. 9,304 members passed this milestone in 2019, saving nearly \$9 million on the cost of their insurance. This brings the total number of members who no longer pay surplus contributions to 28,877, which represents 32 percent of the membership.

9,304

\$8.8M

PURE MEMBERS REACHED THEIR FIFTH RENEWAL IN 2019.

IN ANNUAL SAVINGS FOR THIS GROUP.

10 YRS

Rewarding Loyalty

We are happy to introduce a new initiative intended to reward our most loyal members. Members who have been with PURE for 10 years or more are now eligible to receive an annual cash distribution of up to 20 percent of their SSA balance. Distributions and their amount will be made at the discretion of management (based on the performance of the business in that year,) and require regulatory approval. We expect to make our first distribution this year. More than 2,500 members will receive a total of more than \$600,000.

JOIN PURE	2ND YEAR	3RD YEAR	4TH YEAR	5TH YEAR
Pay surplus contributions				Stop paying surplus contributions after the 5th year
Eligible for SSA Allocation				
6TH YEAR	7TH YEAR	8TH YEAR	9TH YEAR	10TH YEAR
Eligible for SSA Allocation				Eligible to receive cash distribution of up to 20 percent of SSA balance

2,536

PURE MEMBERS WHO ARE ELIGIBLE TO RECEIVE A CASH DISTRIBUTION FOR THE 2019 YEAR.

Subscriber Savings Accounts

We are delighted to share that we are making an allocation of \$22 million to Subscribers Savings Accounts (SSAs) for the 2019 year. For more information on SSAs and the unique value they provide, visit pureinsurance.com/ssa.

ALLOCATIONS BY YEAR	
2010	\$1,000,000
2012	\$1,500,000
2013	\$5,000,000
2014	\$8,000,000
2015	\$4,000,000
2016	\$25,000,000
2017	\$15,000,000
2018	\$21,500,000
2019	\$22,000,000
TOTAL ALLOCATIONS	\$103,000,000

CLAIMS

Claims Count by Year

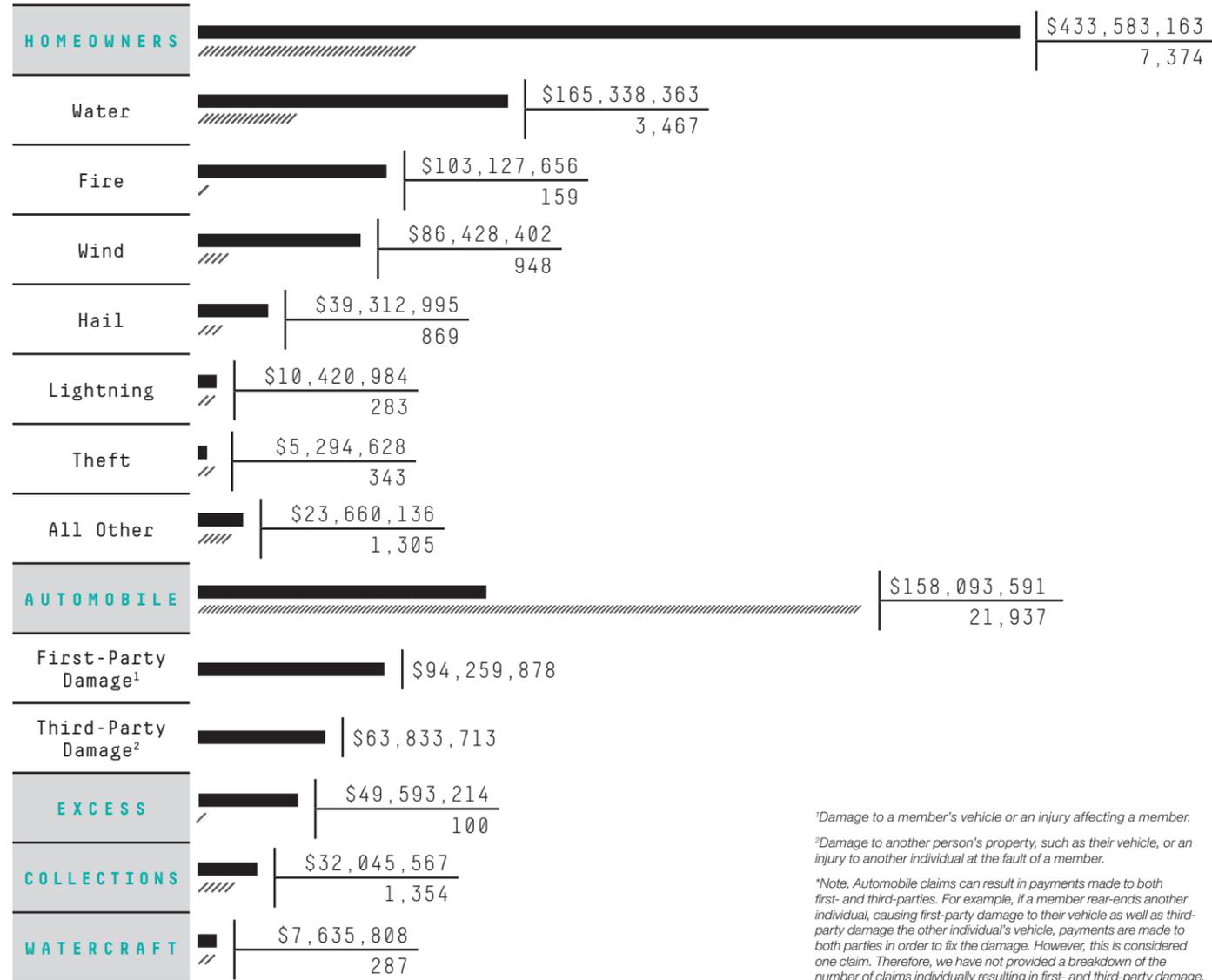
YEAR	TOTAL CLAIMS	CATASTROPHE CLAIMS
2017	23,833	13.5%
2018	26,621	7.5%
2019	31,059	5.3%

To date, the membership has reported more than 140,000 claims. As the membership grows, we are naturally going to see an increase in the number of everyday claims, like automobile accidents, theft and water damage. Catastrophe 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. Additionally, while the membership experienced fewer catastrophe claims in 2019, the tornadoes that impacted Dallas marked the most costly catastrophe event for PURE since inception.

There are steps you can take to reduce your likelihood of experiencing a claim, from installing an automatic water shut-off device to hiring a full-time live-in caretaker. Contact Member Services at 888.813.7873 to discuss solutions that may best meet the needs of your family and home.

Costliest Cause of Loss

The chart below ranks the costliest cause of loss by line of business. These costs reflect what PURE has paid or expects to pay on claims reported in 2019.



¹Damage to a member's vehicle or an injury affecting a member.

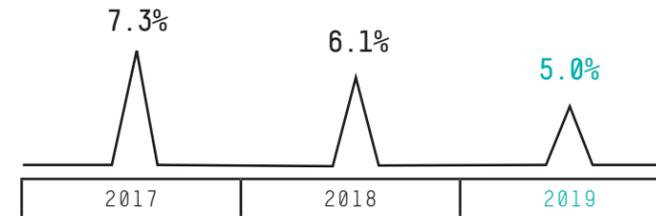
²Damage to another person's property, such as their vehicle, or an injury to another individual at the fault of a member.

*Note, Automobile claims can result in payments made to both first- and third-parties. For example, if a member rear-ends another individual, causing first-party damage to their vehicle as well as third-party damage to the other individual's vehicle, payments are made to both parties in order to fix the damage. However, this is considered one claim. Therefore, we have not provided a breakdown of the number of claims individually resulting in first- and third-party damage.

Homeowners Reported Claim Trend

A key metric to measure the underlying health of an insurance company is the frequency of claims. The chart below measures the ratio of reported Homeowners claims to the number of homes insured by PURE in a given year. A lower ratio translates to fewer claims. In general, PURE's membership experiences fewer claims thanks, in part, to thoughtful underwriting and a more responsible membership, but in 2019 we saw even fewer claims than in prior years due to a less severe hurricane season.

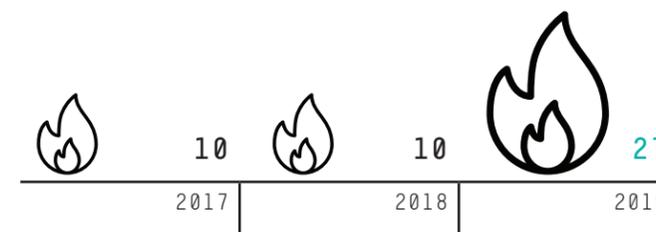
HOMEOWNERS REPORTED CLAIM TREND BY YEAR



Large Fire Losses

While the frequency of losses was favorable in 2019, there was a significant increase in large home fire losses experienced by the membership. In 2019, the membership suffered 27 large home fires unrelated to catastrophes, such as wildfire, which is more than the prior two years combined. In each of these instances, the cost of the claim was greater or is expected to be greater than \$1 million.

LARGE FIRE LOSSES BY YEAR



Subrogation

When a third party is responsible—even partially—for the damages in a claim, whether it is an auto or a property 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 2019, PURE recovered over \$26 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 us to better understand the reported situation, whether it's 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 such documentation 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.

YEAR	SUBROGATION AMOUNT
2017	\$17.7M
2018	\$22.2M
2019	\$26.4M
SUBROGATION TOTAL SINCE 2007 = \$102.9M	

Partnering to Prevent Losses

PURE's Homeowners policy includes a \$2,500 Loss Prevention Benefit that members can use following a covered loss greater than \$10,000 to make their homes safer or more resilient in order to prevent a similar loss from recurring. In 2019, PURE partnered with over 650 members and invested over \$1 million to make our members' homes more resilient to future losses.

TOP USES OF PURE'S LOSS PREVENTION BENEFIT

- Automatic Water Shut-Off Systems
- Arborist Services
- Lightning Suppression Systems
- Home Security Systems
- Hail Resistant Materials
- Sump Pumps
- Whole House Surge Protectors
- Generators
- French Drains

EXECUTIVES



ROSS BUCHMUELLER
President and Chief
Executive Officer



JEFF PARASCHAC
Executive Vice President,
Chief Financial Officer



MARTIN HARTLEY
Executive Vice President,
Chief Underwriting Officer



KEVIN DALEY
President,
Field Operations, West



MARK GALANTE
President and Chief
Executive Officer,
PURE Programs



LINDSAY HOLDEN
President,
Field Operations, East



JASON METZGER
Senior Vice President,
Head of Risk Management
& Service Operations



KATHERINE RICHARDSON
Senior Vice President,
Chief Human
Resources Officer



MIKE TAYLOR
Senior Vice President,
Chief Claims Officer

Privilege Underwriters Reciprocal Exchange

Subscribers' Advisory Committee

Ross Buchmueller
President and CEO, Privilege Underwriters, Inc.

Joey Cummings
Founder & CEO, The Joey Company

Douglas Fields
Senior Vice President, McGriff Insurance Services

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

Jodi Lash (Chairman)
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

PURE Insurance Company

Directors

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Senior Managing Executive Officer, Co-Head of International Business, Group Co-CRSO (Group Co Chief Retention Strategy Officer), Tokio Marine Holdings, Inc.

Hisanobu Koga
Managing Executive Officer, Tokio Marine Holdings, Inc.

Kichiichiro Yamamoto
Managing Executive Officer, Tokio Marine Holdings, Inc.

Michael J. Schell
President, Tokio Marine HCC

Ross Buchmueller
President and CEO, Privilege Underwriters, Inc.

Stephen Baine
General Partner, Starboard Specialty Funds, LLC

Susan Rivera
Chief Executive Officer, Tokio Marine HCC

Actuarial Services

Perr & Knight | Boca Raton, FL

Auditor

PwC | New York, NY

Investment Management

Asset Allocation & Management (AAM) | Chicago, IL

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Kichiichiro Yamamoto

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Ross Buchmueller

Stephen Baine

Susan Rivera

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