







The son of Betsy and Steve Clement,  
PURE members since 2021.  
Read their story starting on page 30.

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## LETTER FROM THE CEO

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# *To my fellow* PURE MEMBERS

In 2021, our members faced more costly and disruptive disasters than in any other year in our 15-year history.

While the year may not have reached the lows that led Queen Elizabeth II to once reflect upon the closing year as “annus horribilis,” it sure gave it a run for its money. We invested more than \$150 million to help more than 1,000 members in and around Texas recover after a brutal February storm crippled the state’s power grid. Homes that were not designed to withstand freezing cold temperatures were left without heat and power, making them vulnerable to burst pipes. This storm, known as Winter Storm Uri, currently marks our largest loss event on record, but was challenged in size and cost by Hurricane Ida, a Category 4 hurricane that made landfall just west of New Orleans last August. The initial impact caused the sort of damage we have grown accustomed to seeing with major tropical events. But, days later, the remnants of this storm brought unprecedented flooding to parts of the Northeast, making Ida a more complicated and expensive recovery.

The year ended with further destruction when a tornado ripped through the South Central states, followed by a wildfire that destroyed hundreds of homes in Colorado, including a number of properties owned by PURE members.

When you combine these (and other) catastrophes with a record number of large house fires, PURE will have paid out significantly more in claims and expenses than we took in as premium (and surplus contributions). After 10 straight years of allocations and more than \$100 million returned to Subscriber Savings Accounts (SSAs), 2021 will mark the first year without adding to SSAs in a decade.

I wish we could reflect on 2021 and simply chalk it up to the kind of occasional volatility that is often the reason why one would buy (and why we sell) insurance. But, unfortunately, while the weather conditions we experienced were not identical to prior years, they certainly rhyme with what we have seen recently—with newly added verses about inflation and supply chain disruption.

Extreme weather—along with the destruction it brings—is likely to be with us for the foreseeable future, and the cost of virtually all repairs, especially to homes, has soared in the current environment. To oversimplify our business, we need to manage the likelihood and cost of everyday claims, like fender benders and a stone falling out of a ring (attritional losses), as well as the less frequent but traumatic fires and accidents with serious injuries (large losses) and the volatile losses caused by natural disasters (catastrophe losses). Today, the cost of the risks the membership bears is greater than the premiums we are charging individual members. We are committed to making adjustments to reflect the “new normal” with a balance of empathy and long-term thinking, along with necessary changes to some of our products, while continuing to provide exceptional service to our membership.



The first thing we need to emphasize is the importance of prevention. We often reflect on the unavoidable catastrophes that impact the cost of risk, but too frequently we see losses, both large and small, that are not only preventable, but almost inexcusable. We will be making significant investments in our risk management team in 2022 and applying years of learning and experience to tackle the challenge of loss prevention and mitigation. However, the fact remains that we are relying upon our membership to make the greatest impact. In the pages of this year’s report, we have outlined steps that you may be able to take to make your home safer and reduce the long-term cost of risk.

The second priority is to continue on the never-ending journey to better match rate and risk. We can often see potential and likely hazards, but they are not always reflected accurately in our rating plan. Some of these insights are fairly obvious, such as the increased hazards from homes with plastic water supply lines or fasteners on plumbing fixtures. Hurricane Ida showed us that it is much more costly to insure homes with elaborate finished basements, especially when flood insurance has not been purchased. Over the years, our data scientists have made progress in predicting the likelihood of loss, and this has allowed us to improve underwriting selection and, in turn, reduce the frequency of claims in certain areas. Our next step is to ensure that these sophisticated predictive models work their way into our rating plans so we offer a more attractive rate for those who deserve a lower price and do a better job overall of reducing known and predictable subsidies within the membership.

The third step we need to take is to try to keep up with inflation. The most straightforward way we can do this is to increase insured amounts by a factor that comes a little closer to reflecting the dramatic increase in construction-related claim costs. We have already begun the process of ensuring that members will have enough coverage to enable rebuilding and that our entire portfolio will be collecting the right premium to pay small losses, as well as large ones. If we have not yet done a PURE360™ Risk Management Consultation and you would like an assessment of your residence done by one of our risk management professionals, you may set one up by emailing [riskmanagementservices@pureinsurance.com](mailto:riskmanagementservices@pureinsurance.com).

“The first thing we need to emphasize *is the importance of prevention.*”



*Members of all six of PURE's Employee Resource Groups (ERGs) gather for an event at our headquarters in White Plains, NY. Read more about ERGs on page 40.*

We also find that our members are, as you would expect, investing in their homes, lifestyles and passions. Please let us know when you are doing significant projects or making significant purchases so that we can reflect those investments in updated coverage amounts. This diligence comes with better claims practices to ensure you get your home rebuilt, your car repaired and your art restored—all with impeccable quality, by the most trusted experts and at a fair price. We need to strengthen our relationships with the best firms that lead the restoration and repair processes so we can control costs in ways that will not interfere with the highest service standards.

Our last big step to return to an acceptable underwriting result will be to increase the overall rate level for our products. For some lines, such as jewelry and art, we envision little to no change in our rates. But, for our largest line, Homeowners insurance, some states will see a single digit percentage increase, while others may be higher. We are always evaluating our need to charge the right price, and in 2022 the right price will be somewhat higher—across the industry and for PURE members. I suspect that no one looks forward to an increase in the cost of their insurance. Our long-term challenge is to deliver such great service and such important value that our members feel more delighted than ever with PURE. We believe we are on track to not only improve underwriting results but also to give you even greater value in your membership.

We are excited to have entered Idaho, completing our U.S. footprint. This is a growing market, and we look forward to welcoming more new members from across this beautiful state, in addition to providing solutions for existing members who own properties there.

There is a clear movement in the industry for more and more solutions to be provided by less-regulated “surplus lines” insurers. PURE Programs has operated such a facility for the past five years. It provides solutions for higher risk scenarios, from the use of luxury real estate on home sharing sites, to homes in hurricane-prone areas where the elevation or construction quality might not meet PURE’s underwriting standards. This business, by its nature, can be more volatile. Carriers may lose interest as the uncertainty around risk grows. Through our newly launched PURE Specialty Exchange, we now have a platform to be flexible—with appropriate terms—and to control the experience more than when we solely relied on third-party insurance carriers.



Our list of available solutions continued to grow and improve in 2021. Building upon the success of PURE Home Spotlight™ (which leverages risk data to help members make more informed decisions when purchasing a home), we launched PURE Art Spotlight to help those members looking to purchase contemporary art gain confidence in their investments. This service draws insights from decades' worth of art sales data and delivers results in seconds via text message. We also added more use cases to the PURE Advice Dashboard, complementing the best advice from the best independent insurance brokers, to help our membership make even better decisions and design the most appropriate coverage. And we further digitized tens of thousands of PURE360 reports in order to turn a one-time service into an always-on source of insight and valuable documentation. If you haven't already, please log into the PURE Member Portal or download the PURE Insurance mobile app to explore how we might be able to help you save time and money while making smart decisions.

PURE would not have accomplished so much for so long without the talents, hard work and dedication of the more than 1,000 colleagues currently working in service of the membership. Like for many of you, the past two years have brought some serious challenges. Our employees are working harder than ever to meet your expectations while still dealing with massive challenges related to the health, education and mental wellness of their families, especially those with young children. Our commitment to a diverse, inclusive and highly engaged team has never been greater or more necessary.

Our strong sense of purpose helps employees stay motivated when times are tough. In addition to leaning into their mission to serve the PURE membership, the team is eager to make an even bigger impact in their communities and the world at large. We proudly achieved carbon neutral status for 2021 and will endeavor to become a more responsible and sustainable organization. For those of you who still receive paper policies and bills, we encourage you to sign up for eDelivery.

Our team has also demonstrated a strong desire to give back to their communities, with an emphasis on programs for children. Later in this report, we will highlight more of our community involvement, including the new PURE Insurance Scholars program, which awards scholarships to First Tee participants.

These are challenging times that present complex problems. You can be confident that your insurance company is diligently, creatively and empathetically working to help you live your lives to the fullest and to allow you to pursue your passions with even greater confidence. On behalf of our entire team, I thank you for the opportunity to serve you.

Sincerely,



ROSS BUCHMUELLER  
President and Chief Executive Officer

“We will hold ourselves  
to a higher standard, and  
*I hope you will continue  
to inspire improvement  
in your company.*”





# LETTER FROM THE SUBSCRIBERS' ADVISORY COMMITTEE CHAIR

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One doesn't typically associate insurance or insurance companies with the field of psychology, but having spent much of my career in insurance, I have come to appreciate the relationship.

We think about insurance when we pay premiums or when we have a claim. It's the latter circumstance where PURE distinguishes itself. Insurance is supposed to bring peace of mind and deliver when we are most vulnerable—shaken by an event that has disrupted our lives. PURE's purpose is to enable our members to live their lives to the fullest and pursue their passions with confidence. That purpose can only be achieved when members have confidence in PURE's ability to be responsive, compassionate and trustworthy, ensuring their resilience in the face of trauma.

But earning trust and delivering reassurance does not involve some mathematical application of rules—it requires compassion that displays a genuine concern for suffering and the desire to relieve it as best you can. To that end, PURE employees are hired not only for skill and knowledge but also for their ability to be empathetic and to help members learn to accept and ultimately bounce back from what has happened. In fact, each prospective employee participates in an interview that focuses on identifying important characteristics that help shape our culture of compassion: intellectual curiosity, passion and empathy. And, each employee is given the opportunity to participate in emotional intelligence training (with nearly three out of every four having completed it). In the wise words of fellow PURE member and *New York Times* best-selling author Adam Grant, "It is easier to fill gaps in competence than gaps in character."

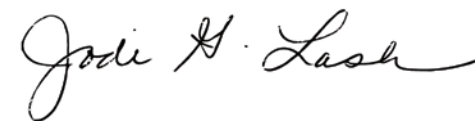
This staffing approach is not only important for PURE employees but also for the members of this committee, which is currently in the process of selecting at least one new member. As a reminder, the Subscribers' Advisory Committee (SAC) represents a voice from the membership, ensuring that members are heard when it comes to important matters of the business. Over the years, we have sought input from thousands of members on a wide range of topics with the goal of improving. In 2021, we took this effort a step further with the formation of a member feedback group, inviting members to join through the PURE Insurance mobile app. Today, just a year later and with very little promotion, we were delighted to hear

from over 2,500 members who have signed up to share their thoughts on coverage, service and the member experience. This platform provides management with a steady pulse on what the membership really wants and needs from their insurance company. I want to thank each of you who signed up to contribute to our future collective success, and I welcome the rest of you to take a moment and download the PURE Insurance mobile app and join the group. You can also join by emailing [getinvolved@pureinsurance.com](mailto:getinvolved@pureinsurance.com).

I encourage you to get involved in your insurance company, whether that's through joining the member feedback group or simply completing your annual NPS survey or the claims survey you receive following your claim. Your feedback can help to make PURE even better.

The SAC is committed to serving you, our membership, and while we are not psychologists, we are trying to be ever more sensitive to the psychological impact when it's time for you to turn to your insurance company.

Sincerely,



JODI G. LASH  
Chair, Subscribers' Advisory Committee



“...*we were delighted* to hear from *over 2,500 members* who have signed up to share their thoughts on *coverage, service and the member experience.*”



# Home safe Home

MEMBER STORY  
MICHAEL & ANNIE CLARKE

—  
PURE members  
since 2017  
—



*Michael and Annie Clarke at their home in Vermont.*





Michael Clarke is a prudent man. He is a retired naval intelligence officer, risk management professional and co-founder of a commercial insurance agency.

He and his wife Annie mind their belongings with the utmost care. But, sometimes, all it takes is an unlucky moment for a loss to occur.

One day in 2020, the band on Michael's Rolex Sea-Dweller broke, and the timepiece slipped through the tiny gap between the door and the elevator that he was boarding, falling 16 floors to the basement. While the watch was recovered by building maintenance staff, it was broken beyond repair. "PURE was just amazing to work with," says Michael.

This story isn't about chance or Michael's timepiece, however; it's about care, prevention, thoughtful decisions and the couple's dream home.

"We joined PURE shortly after the house was completed, and it was the lesser-expensive option, so I was skeptical (which seems silly now), but I researched it, called a couple of my buddies in the industry, and they all said, 'It's a great company,'" says Michael. "Now I sleep well knowing I'm with PURE."

PURE works best when responsible homeowners, like Michael and Annie, come together to share risk. A more responsible membership means fewer claims, which helps keep premium costs down without sacrificing service.

Michael and Annie's dream home was built on a parcel of land in Vermont—three hours from their home in Hartford, CT—that the couple had purchased many years before. The project was intensely personal to Michael who was, after all, "building the house for Annie, the love of my life. I was in on every decision," he says. "There wasn't a line that was drawn on any scrap of paper without my involvement."

Michael has a passion for architecture and fine design, especially the work of Frank Lloyd Wright. And, as an insurance professional, his clients were all architects and engineers, so he was steeped in the business for decades.



# “Safety first, design second— *but a very close second.*”



What he achieved—with a small army of architects, designers, builders, artisans and suppliers—was a 9,325-square-foot, three-story, "Prairie Style" jewel. The home, which took five years to complete, was masterfully appointed with artisan-stained glass, a loft library, a pub, a gym, a staircase made of blue glass, a wine cellar, a seemingly endless deck and an enclosed porch suspended over a pond—all of which were a surprise for Annie.

While Michael focused on the architecture, Annie filled the space with custom furniture, fine linens and art. The house, lovingly nicknamed "Wright Way," has never suffered a loss. This is undoubtedly due in large part to the Clarkes' foresight and attention to risk management.

Despite Michael's devotion to design, he insisted on adhering to the highest standards of risk mitigation throughout construction. "Safety first, design second—but a very close second," he says. His original vision called for the house to be built beside a stream that ran along one edge of the property. But, after some deliberation, he decided instead to build in the middle of the property to mitigate the risk of flood. He took further precautions, such as installing a moisture barrier under the home's foundation to forestall moisture seepage and a hydrant that can pump water from the 250,000-gallon pond in the event of a fire. Michael did such a good job risk-proofing the home that his PURE Risk Manager had no recommendations following the inspection. "Actually, he might have said, 'You have too many bottles of wine,'" Michael laughs.

Wright Way is far more than a vacation home to the couple. It has become a haven—a place where they rejuvenate, entertain friends and enjoy nature together. "We still wake up stunned every morning," says Michael. "We never get used to it."





REDUCE YOUR RISK:

# BUILDING A RESILIENT HOME

Michael Clarke’s background well equipped him to ensure their Vermont dream home was built with risk mitigation in mind.

If you are building or renovating a dream home of your own, there are steps you can take to prevent costly and disruptive losses, at a fraction of the price of retrofitting it later.

We’ve handled tens of thousands of claims since PURE’s inception. We study these claims to understand their causes and how they can be prevented, so you can learn from these insights. Taking special precautions when building your home is part of being a responsible member. Share these important considerations with your builder to ensure your home is constructed with resiliency in mind.

EXPERT TIP:

Consider geography

While these recommendations apply no matter where you live, it’s also important to consider risks specific to your geography—like cold weather, hurricanes, wildfire and hail—where additional precautions may be needed. For additional risk management insights and advice, visit [pureinsurance.com](https://pureinsurance.com). For assistance with selecting or installing these solutions, contact our Risk Management Services team at [riskmanagementservices@pureinsurance.com](mailto:riskmanagementservices@pureinsurance.com).



### Generator

A whole-house generator can keep critical systems and equipment in your home running during a power outage. It will also maintain the temperature throughout the home—even if the power goes out—which can be instrumental in preventing burst pipes in cold weather climates and mold in warm weather climates.

Generators should be installed before the ground freezes. Due to the combination of high demand and supply chain issues, the lead time for purchasing one is significantly longer than usual (a minimum of six months), so make sure to plan ahead.



### Automatic water shut-off device

This device monitors the flow of water in your home’s pipes and shuts the water main off if a leak is detected. Be sure it is equipped with a central station alarm so that it will notify you and your alarm company of an issue before serious damage can occur.



### Steel braided water supply lines and metal connectors

Plastic water supply lines and connectors can wear and crack over time—an issue which commonly results in a water loss that can cause hundreds of thousands of dollars in damage. Ensure all appliances, toilets and sinks are connected to the water supply with a steel braided supply line and metal connector, which are much less likely to crack.

Even steel braided supply lines and metal connectors don’t last forever, so consider upgrading them every 10 years to be safe.



### Fire prevention

A record number of large house fires impacted the membership in 2021. In fact, the five costliest claims to impact the membership since PURE’s inception were all house fires that occurred in 2021—two that were started by lightning strikes and two which are suspected to have been the result of electrical issues (but the cause is still undetermined).

**Electrical issues.** Ting, a small device that plugs into any outlet in your home, can help detect electrical issues that can lead to fires. This device monitors electrical currents and flags potentially dangerous spikes or differences in voltage frequencies. If an electrical issue is detected by the device, Ting will contribute up to \$1,000 towards repairs.

**Lightning suppression.** As the highest level of defense, a lightning suppression system intercepts a lightning strike to your home, preventing fire caused by a direct hit, and grounds the electricity to avoid a dangerous surge. Only trained experts should install and help certify these systems.

# Frozen dreams

MEMBER STORY  
CHRISTINA & CRAIG DILLARD



*Christina and Craig Dillard in their Texas home with their two sons.*



It's your anniversary and you are enjoying a kid-free getaway. News headlines mention a cold snap back home in Houston. While unexpected, you don't think too much of it.

By the next day, the cold snap has turned into a major ice storm and is wreaking havoc on your community. You take solace knowing you have a generator so your power and heat won't be disrupted. Or so you think. Until your sister calls to let you know a pipe has burst in your house.

What's worse, all of the airports in your city are closed, and it's four days before you can make it home. When you finally get home, you find your ground floor covered in water—so much more water than you could have imagined.

This is Christina and Craig Dillard's story from Winter Storm Uri, the catastrophic ice storm that paralyzed Texas in 2021.

PURE members since 2015, Christina and Craig are both attorneys. They met while working on opposite sides in the same case. "And we practice the same kind of law," says Christina, "which makes people laugh. They're like, 'Oh, your arguments must be amazing.'"

Christina was born and raised in Houston. She graduated from Texas A&M and began working in fashion as a buyer. "It was a pretty cool job," she says. "But after a couple years, I was looking for something more expansive and thought law school felt right." She currently works as an in-house litigation counsel.

Craig is from Oklahoma. He knew he wanted to be a lawyer ever since he tried out for debate in high school. "It was a lot more intellectually stimulating and rewarding than anything else I had done," he says, "and when I got into law school, I felt 'this is what I was designed to do.'" Craig now leads the litigation group at an international law firm. "I absolutely love practicing law," he says.





Back at the flooded house, Christina and Craig were wading through four inches of water, trying to come to grips with what had happened. A pipe from the pressurized fire sprinkler system had frozen and burst, spraying water everywhere. The ceiling was destroyed, furniture and carpets soaked and there was standing water in every single room on the ground floor.

Despite having a generator, there was little they could have done to prevent this outcome. As temperatures across the state dropped below freezing, the demand for electricity spiked with Texans turning up the heat to stay warm. Power plants in Texas run independently from the major national grids, making it difficult to import electricity from other states. To prevent a complete collapse of the grid, power to customers was shut off—making the situation drastically worse for homeowners in a state where houses are not built to withstand extreme cold. Open pipes in the attic and ceilings of homes built with little insulation were left at risk. Insurance companies across the country, including PURE, have filed lawsuits against the organization that powers the Texas electrical grid for their actions that led to more than \$5 billion in insurance claims.

For Christina and Craig, the damage caused throughout their home was a painful sight. This was their dream home. They had searched for more than a year before they found it. Its playroom was “just perfect” for their two boys, “with more than enough room for them to run around in.” It had tall ceilings (described as “a must” by Craig, who is 6’4”, and Christina, who is 5’10”). The only thing missing was a pool, which they promptly installed. “The view from the living room out to the pool at night with the palm trees lit up—that’s what it’s all about right there,” says Craig. It was his favorite room in the house.

“Within 10 minutes of us getting home, our claims adjuster, Jimmy Wolterman, arrived,” said Craig. “He said he just got into town but wanted to come by to introduce himself, see how we were doing, what we needed and how he could help.”

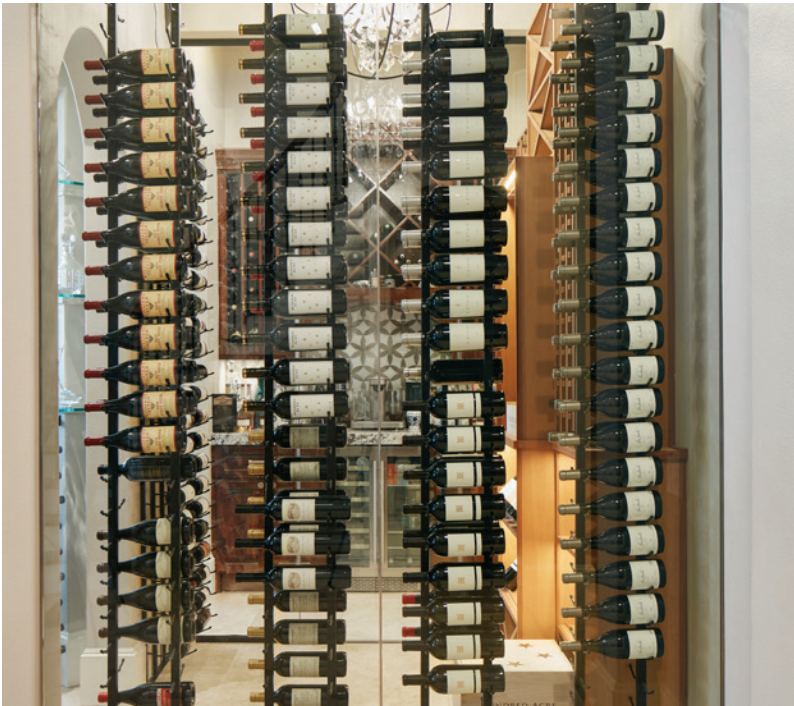
First up was helping the Dillards find a place to stay that night, which was no easy task. The storm had damaged so many homes in Houston that hotels were completely booked, but Jimmy found a room.

Next was clearing out the house, but salvage companies were also completely booked. “They weren’t even answering the phone,” says Craig. But when Christina called a connection at a cleaning company and mentioned PURE, they said they’d be right over.

Then, Jimmy went to work finding a suitable rental home. Rentals were extremely scarce and the competition intense, but he came through, and the Dillards moved right in.

Craig recalled conversations with Jimmy where he said things like, “The house has to get fixed, but let’s get the right people to do it, however long that takes.” “If you guys need clothes or anything in the meantime, just let us know.” And, “We are here to help.”

“It was the little things like that, especially early on, that helped put us at ease,” says Craig.





Christina says Jimmy’s guidance was invaluable as he helped them grasp the magnitude of the loss and how long the process would take. “They had to rip the floor up and remove all of our furniture. Water had gotten into the cabinetry, so all of that had to be ripped out too,” says Christina. “It was extremely comforting, for lack of a better word, during this very stressful process to not have to fight with the insurance company, but to actually have their support. It was just phenomenal.”

Jimmy continued to tackle the challenge of finding contractors and generally running interference during reconstruction. He found proper storage for Craig’s wine and bourbon collection. He lined up PURE Art Services to store and reinstall the Dillards’ artwork. And, when there were issues with the pack out company losing boxes and returning clothes that were moldy, Jimmy met with the CEO of the company to get the problem resolved.

“I have a good friend who’s an insurance defense lawyer,” says Craig, “and he prepared me for the worst. When I would tell him what was actually happening with PURE, he’d say, ‘What? That’s not what insurance companies do.’ And I’d say, ‘Well, that’s what PURE does.’”

All in, the rebuild took almost a year. But now, the boys are running through the house again, and the living room is no longer a swimming pool—it’s also no longer Craig’s favorite room. During the rebuild, he worked with a designer to create a bourbon and cigar room hidden behind a secret bookcase door. “That’s the new favorite,” he laughs.

“We moved back the week of Christmas, which normally I would complain about, but it was just so amazing to be home.”

“I was just so glad to be back in our home. *It felt like we could all finally exhale.*”



A look inside Craig’s hidden bourbon and cigar room, constructed during the rebuild.

REDUCE YOUR RISK:

# PREPARING YOUR HOME FOR THE UNEXPECTED

Climate change has brought extreme weather to areas of the country that historically haven't been equipped to handle such conditions.

Winter Storm Uri, for example, brought a prolonged bout of freezing temperatures to parts of North Texas. With a power grid incapable of supporting such a high demand for heat, it failed and left millions of homes defenseless against the cold.

Among the membership, the result was more than 1,000 burst pipe claims with an average cost exceeding \$120,000 per claim. All of these members' lives were disrupted, and most were displaced from home as they navigated massive and unplanned renovations. If you live in a warm climate that has been experiencing cold snaps in recent years, it's important to be prepared for unexpected freezing temperatures. Take these steps to reduce the risk of damage to your home.

EXPERT TIP:

*Always be prepared*

Preparing your home for freezing temperatures and other risks doesn't have to be overwhelming. Our Risk Management Services team is here to assist you in implementing these solutions and can be reached at [riskmanagementservices@pureinsurance.com](mailto:riskmanagementservices@pureinsurance.com).



### Water shut-off valve

If a pipe in your home freezes and bursts, knowing how to quickly shut off your home's water supply can reduce damage significantly. For those in warm climates, the water shut-off valve is often a pole with a knob that is located outside the home. For those in colder climates, it's often located in the basement, or near your water heater or other large appliances. If you are planning to be away from home for an extended period of time during the winter or when a cold front is forecast, proactively shutting off the water to your home can prevent a pipe from freezing and bursting.

**When a sprinkler system bursts, it can cause severe damage. If you have one in your home, like the Dillards do, there will be a separate shut-off valve that is often located near where your pipes for your home's plumbing and the pipes for the sprinkler system diverge.**



### Automatic water shut-off device

This device monitors the flow of water in your home's pipes and shuts off your water if a leak is detected. Most devices make it easy to monitor and control water flow from your mobile phone, allowing you to act quickly if a leak is detected or if temperatures drop below freezing while you're away. A device equipped with a battery back-up, so it can continue to operate even if the power goes out, is best.

**Because sprinkler systems have their own water-shut off valve, a water shut-off device will not shut your sprinklers off. There are alarms available that will alert you if your sprinkler system is going off, but sprinklers will need to be manually shut off if their pipes burst.**



### Smart thermostat

A smart thermostat with a low temperature alarm allows you to monitor the temperature in your home remotely and adjust your settings in response to any frigid temperatures or subzero wind chills that may occur while you are away.



### Attic insulation and ventilation

Proper attic insulation and ventilation can help reduce the risk of ice dams when there is snow and fluctuating temperatures. This also helps to protect any pipes or appliances that might be in your attic from freezing and causing damage.



### Pipe insulation

Insulating pipes, especially those on exterior walls or in the attic, with simple foam-rubber pipe insulation can reduce the chances that they'll freeze and burst during a cold snap.

**Sprinkler systems have their own pipes, which should also be outfitted with the proper insulation to reduce the likelihood that they'll freeze and burst in cold weather.**



### Generator

A whole-house generator restores electricity during a power outage. This mitigates costly losses that could arise when critical home systems and equipment stop functioning. It will also maintain heat throughout the home, even if the power goes out, which can be instrumental in preventing burst pipes.



# A Case of Goodwill

MEMBER STORY  
A STORY OF THREE NEW ORLEANS MEMBERS



**Top:** The Clement family plays on their back porch. **Right:** Cedric Martin shares a look inside his New Orleans home. **Bottom:** Bill and Karyn Kearney enjoy a glass of wine from their treasured collection.



PURE members  
since 2013



Bill and Karyn Kearney at their home in New Orleans.

If you live in New Orleans, you likely know the importance of being prepared for the unexpected. Hurricanes, floods, tornadoes and other severe weather events happen on short notice, sometimes overnight.

On August 27, 2021, what would become Hurricane Ida was just a tropical storm off the coast of Cuba. By the next day, the Category 4 hurricane was headed straight for New Orleans. PURE members Bill and Karyn Kearney were among the thousands who decided to evacuate. Among the things they left behind was their wine collection. With no power and temperatures climbing, the wine seemed destined for ruin, until several PURE members in the area joined together and came to the rescue.

Betsy Clement, a PURE member since 2021, who is also a PURE-appointed broker and the Kearney's broker, describes herself as "a pretty competitive person." "I'm not the kind to sit on the sidelines," she says. Born and raised in New Orleans, she double-majored in business and journalism at Washington and Lee University. After graduation, she landed an internship at Waterford Crystal in New York City, which she quickly transitioned into a full-time job, helping to organize major events. But it wasn't long before the Crescent City drew her home. "New Orleans girls end up back in New Orleans one way or another," she says.

Once home, she joined her family's insurance brokerage, Gillis, Ellis & Baker, and quickly became a top producer on the sales team. The firm was then acquired by Gallagher Insurance, and a few years later, Betsy was named National Vice President of Private Client Sales. Somewhere in between, she also found time to start a family with her husband, Steve.

As Hurricane Ida approached, Betsy and Steve made the decision to stay in New Orleans, but rather than ride out the storm in their home, which they had just spent a full year renovating, they rounded up their kids and sought shelter in Betsy's parents' house just blocks away.

It was a nerve-racking experience. "We were glued to the news, watching this storm that just seemed to stretch on and on. But of course our kids thought it was cool to watch things flying around outside."



When the storm finally passed, Betsy got to it, navigating her way around shattered tree limbs and downed power lines to check on things at her house and at her clients' houses. "My first thought was, 'This is when my clients need me most. This is why I do this.' And, as I got around, I started to realize that not many people stayed. I was the boots on the ground."

"My house was fine, thankfully. We would really have been crushed if it was destroyed just after the renovation...to have to start that all over."

It was about this time that Bill called Betsy to file a claim for his wine collection. He has several thousand bottles; most are kept at a wine storage facility, but about 300 of his best bottles—including some very rare ones—are in a temperature-controlled cellar in his home. As a native of New Orleans, Bill knows hurricanes, and given Ida's speed, he knew he didn't have time to safely move the bottles from his home to the storage facility. He and Karyn packed a few things in their car and headed to her parents' home in northern Louisiana. As he watched reports of the damage on the news, Bill knew it would take weeks before the power would be restored, so he assumed his collection would be ruined.

Betsy contacted PURE, specifically Regional Claims Executive, Tiffany Alvey, and Sales and Marketing Manager, Lauren Steinhardt. Knowing how much the collection meant to Bill and its value, the three were not ready to give up. "It hadn't even been 24 hours," says Betsy. "So we started to strategize a plan. We needed someone to pack it up, catalogue it and transport it. And we needed somewhere to store it."

The city was devastated, and with spotty phone and internet service and no power, none of this would be easy—and they only had a few hours before the wine would begin to spoil.

Betsy immediately thought of fellow PURE member Cedric Martin, owner of Louisiana-based Martin Wine Cellar. She guessed if anyone in New Orleans had a storage facility with a working generator, it would be Cedric.

She quickly made her way to Martin Wine Cellar on Baronne Street, where she found Cedric in a meeting making plans for how to deal with the impact of the crisis. "They had a lot going on, including visible damage to their building. I could see where the roof was coming in. But Cedric told me he could help."

Cedric is a New Orleans native, and Martin Wine Cellars—founded by his father in 1946—is a local institution. He considers it not just a duty but a privilege to help the community in times of need. Having learned some hard lessons from Hurricane Katrina, he did in fact have a functioning cold storage facility powered by a natural gas generator. He told Betsy if they could get Bill's collection to the facility, he'd be happy to store it, and even provided boxes and pallets needed for transport.

PURE Art Services located an art moving and installation company that was able to transport the wine. Betsy joined them at the Kearneys' home and together they cataloged and packed up the 300 bottles. "It was all hands on deck," says Betsy. "We started pulling out the bottles one by one, taking pictures of each label and then wrapping and boxing each bottle. We then labeled the boxes and loaded them onto the truck to drive over to Martin's."



The Clement family at their home in New Orleans.



PURE member  
since 2014



“...so for them to have taken this burden, along with the stress of it, off our shoulders really, really meant a lot. *Being able to rely on others to help you is pretty powerful.*”

Incredibly, the whole operation was finished within 24 hours of Bill's initial phone call, and the collection was saved. “Every single bottle in my house was retrieved and taken to Martin's facility. They were so thorough. I was in disbelief and so very thankful,” says Bill.

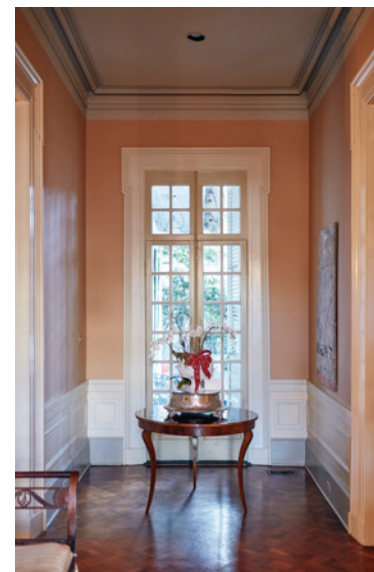
That above-and-beyond effort from his fellow PURE members meant the world to Bill. “It was a very hard time for us,” he says. “Karyn's father passed away the day after the storm, so for them to have taken this burden, along with the stress of it, off our shoulders really, really meant a lot. Being able to rely on others to help you is pretty powerful.”

Betsy agrees. “We've all chosen to live here,” she says. “And we know what the risks are. If you're fortunate enough to come out of it unscathed, you have to pay that good karma forward. It's part of my job, but it's also my role as a resident of New Orleans to do what I can when fellow citizens are in crisis.”

She credits PURE for acting in the same spirit. “PURE is known for saving the things people care about and finding the resources to get it done instead of just writing a check,” she says.

Cedric likes to downplay his role in the rescue, giving the credit to others. “I'm just one small part of the puzzle,” he says. “I believe that you form relationships with people and you trust them. That's what business is about.”

We couldn't agree more.



Cedric Martin, owner of Martin Wine Cellars, at his home in New Orleans.



COMMITMENTS

To be  
A GOOD  
COMPANY

Part of what attracted us to  
Tokio Marine was their *Good  
Company* vision.

It says: “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.”

This vision inspires the best in us as a brand, motivates us to do our part every day and guides us in our commitment to a safe, secure and sustainable future. What we are doing:

Reducing carbon emissions

We are now carbon neutral.

Commuting and travel make up the majority of our emissions, and while they were naturally reduced during COVID-19, as we return to a post-pandemic environment, we are providing stipends to encourage commuters to use mass transit—as we have done historically—and are converting our company fleet to hybrid vehicles.

We also formed a partnership with Arbor Day Foundation to contribute to reforestation efforts in Idaho, California and Colorado, planting more than 37,000 trees to remove 1,400 metric tons of carbon dioxide from the atmosphere.

Investment considerations

Our investment management strategy has explored ways we can proactively address climate change within our portfolio. Beginning in 2016, we redirected our investments away from fossil fuels, and new this year, we invested in our first Environmental, Social and Governance (ESG) focused fund. Read more on page 56.

Our  
values

PURE is committed to the safety and well-being of our people, the environment and the communities we serve. This commitment guides how we operate, the culture we deliver and the way we care for our communities.



## Plastic and paper waste

We are actively removing plastics from our office and converting to a paperless workplace. Thank you to the 64% of the membership who've done their part by switching to eDelivery to reduce environmental impacts caused by printing lengthy insurance documents. If you have not already done so, email us at **edelivery@pureinsurance.com** or visit your account online or in the PURE Insurance mobile app to update your document delivery preferences.

More recently, we made a commitment to print our annual report using 100% recycled paper. However, due to supply chain issues that have led to a paper shortage, we were unable to deliver on this and have opted not to print and mail a hard copy to each member this year. We will still print a very limited quantity (if you would like to receive a copy, email **marketing@pureinsurance.com**) and hope to revisit this effort next year.

## Fostering inclusion

We're committed to building an inclusive community where employees feel safe and supported and are encouraged to bring their whole self to work. We believe that the strides we are making today towards creating a workforce that is as diverse as our communities will make us an even better company tomorrow. One of the ways we are putting this into action is through Employee Resource Groups (ERGs)—voluntary employee-led groups that help foster a diverse, inclusive workplace aligned with our mission, values and goals. In addition to ERGs encouraging talent engagement, development and retention, the groups provide a resource to our company leadership on navigating policies and community issues.



*Members of the Women's Leadership Council and PURE United, Puro Orgullo and PURE+ ERGs meet at our headquarters in White Plains, NY.*



API • PURE+ • THE BERG • PURE UNITED • PURO ORGULLO • WOMEN'S LEADERSHIP COUNCIL



**Left:** Pro golfer and PURE member Peter Jacobsen, Jacob Zakaria of First Tee, pro golfer Jeff Sluman and PURE's President & CEO Ross Buchmueller at the 2021 PURE Insurance Championship where Jacob was announced as the first PURE Insurance Scholars scholarship recipient.

**Right:** Sydney Craven of The First Tee of Monterey County clinched the female Junior title.



## Supporting our communities

Giving back to the communities in which we live and work is an important part of our company culture. The PURE Insurance Foundation donates to deserving organizations across the country, and in 2021, we focused our giving on food security, at-risk children and matching grants to further employees' support of causes that are important to them.

Last year marked the fifth year of our title sponsorship of the PURE Insurance Championship, a PGA TOUR Champions event hosted at Pebble Beach Golf Links that, together with the AT&T Pebble Beach Pro-Am, helps to raise millions of dollars annually to support hundreds of nonprofit organizations. Among them is First Tee, an 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 the juniors to play in the tournament alongside golf legends and amateurs is an incredible achievement and proof of the hard work, talent and perseverance that the young men and women of First Tee exhibit on and off the course.

This year, we grew our support through the introduction of PURE Insurance Scholars, a new scholarship fund that was created to further support First Tee and its College Scholarship Program, with the goal of providing financial assistance for up to five First Tee juniors each year. Recipients will be selected based on academic performance, length of involvement in First Tee programs, financial need and commitment to volunteerism.



# MORE THAN JUST A POLICYHOLDER, *a member of PURE*

PURE was built on the simple idea that the most responsible owners of the finest built homes deserve to pay less without sacrificing quality of coverage or service. For this ambition to be reached, both sides (management and each individual member) must strive to uphold certain commitments.



## Management's commitments to the membership:

**Underwrite carefully and thoughtfully.** Our team of expert underwriters carefully selects individuals and families for membership, seeking to accept the most responsible owners of the finest homes. When necessary, we will make the hard decision to non-renew when a member no longer meets the criteria.

**Deliver an exceptional claims experience.** We aim to quickly earn your trust. We'll respond fast and deliver a fair and hassle-free settlement using the most skilled craftspeople to make you, your home and your belongings whole again.

**Make you smarter about risk.** We study the claims that impact our membership, seeking to understand their root cause, and pass that knowledge on to you, so you can be smarter about risk and less likely to experience a loss.

**Charge the right price.** We aim to charge the right price, not the highest price, for coverage that is broad and flexible. And, we allocate operating gains to members' Subscriber Savings Accounts.

**Continuous improvement.** We view the delivery of the best service in the industry as a journey without a destination. We will innovate and evolve our coverages, services and solutions to address changing risks and leverage better ways to serve you.



## Your commitments to the membership:

**Contribute to PURE's financial strength.** Through your surplus contributions, which equal a small percentage of your premiums, you contribute capital for the first five years of membership, adding to PURE's financial strength.

**Take steps to avoid losses.** You aim to act responsibly and are proactive about risk, taking steps to help avoid losses.

**Approach claims with honesty and integrity.** Whenever possible, you take steps to help control the costs associated with your claim. And, if you receive a settlement, you use the funds to carry through with the intended repairs in a timely manner.

**Refer your most responsible friends and family.** Welcoming responsible individuals to PURE is beneficial for the entire membership. If you have a friend who you think would be a good fit, share a copy of this report with them. Visit [pureins.co/friend](https://pureins.co/friend) to get started.

# Commitments in action

**Charge the right price.** For a long time, the insurance industry (PURE included) took a broad strokes approach to pricing Personal Excess Liability coverage which discouraged those needing higher limits from purchasing them. In 2017, we introduced a new pricing structure that aims to better match price to an individual member's risk of loss, at all limits.

**Deliver an exceptional claims experience.** Our closely vetted, highly skilled vendors help you rebuild your home, repair your car or restore your artwork following a claim. When members use our recommended vendors, their claim satisfaction is higher and the cost of their claim is, on average, \$16,000 less.

More broadly, we work hard to earn your trust and partnership so you don't see the need to hire a public adjuster. When a public adjuster is involved, claims typically take longer to close, cost the membership more to resolve and result in lower overall claims satisfaction.

**Continuous improvement.** In 2017, after seeing a number of members experience incidents of fraud and cyber attacks that were not covered by their Homeowners policy, we introduced PURE Starling™.

That same year, amidst a growing need in the industry for more solutions for higher risk properties, PURE Programs launched. For members and other high net worth families in Florida, California and other states where risks related to coastal, brush and other exposures do not meet PURE's underwriting standards, PURE Programs delivers much needed insurance capacity along with a high-touch service experience. Just before competing production on this report, PURE Specialty Exchange launched to provide even more solutions for hard-to-place risks.

In 2020, after seeing that simple claims, like those involving lost or stolen jewelry, were taking too long to close, we launched a trust-based approach to adjusting that has led to faster settlement times and an improvement in claims survey scores for satisfaction and timeliness.

**Approach claims with honesty and integrity.** On occasion, members opt to use an alternate house or vehicle that they own during a claim instead of renting one. When this happens, we find ways to compensate those members (i.e. for miles driven and wear and tear or lost income from a rental property). This simple action helps control claim cost, especially at a time when both rental car and home costs are highly inflated.

Over the years, hundreds of members have submitted claims for lost articles of jewelry only to find the item later, sometimes much later. These honest members have returned nearly \$10 million in claims payouts.

“I cannot tell you how much *we appreciated PURE's payout*, and I look forward to *returning the \$29,624* we received but have not touched...

...we will always be grateful for how kindly and efficiently you handled the claim.”



## THE MEMBER EXPERIENCE

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*Our*  
*commitment*  
*to* SERVING  
YOU  
BETTER

Our unique structure makes you a top priority, which means we work hard to create an experience where you *feel like a member, not merely a policyholder*.

Here are some of the ways we're working to improve your member experience.

### Adding more resources

We are investing in our Service teams and adding new technology to help us serve you faster and in the way you prefer to communicate (whether that's phone, email, text or chat).

We also introduced a new Risk Management Services team that is dedicated to helping you implement loss prevention technology, like automatic water shut-off devices and whole-house generators. For assistance, email [riskmanagementservices@pureinsurance.com](mailto:riskmanagementservices@pureinsurance.com).

### Expanding coverage for fraud and cybercrime

PURE Starling™ can help you recover if you are impacted by fraud or cybercrime. We recently introduced higher coverage limits (up to \$2 million) and broadened the policy to help cover defense costs if you are sued by an individual because their information was exposed during a cyberattack where you were the victim.

*Contact your broker if you would like to add PURE Starling to your policy.*

### A trust-based approach to claims adjusting

Last year, we introduced a new loss adjustment process to resolve simple claims more quickly. Since then, we have handled more than 500 claims using this new approach and been able to close them an average of 63 days faster, with more than two-thirds being completely resolved within a week. By minimizing the disruption to our members' lives when a claim does occur, we've seen an improvement in survey feedback in both overall satisfaction and timeliness.



## Helping support your passions

We offer several solutions aimed at making you more informed before a large purchase. PURE Home Spotlight™ helps members looking for a new home make smarter buying decisions, and PURE Art Spotlight instantly shares information about a contemporary artist to enable greater confidence in art buying.

You can access these tools, view your policy documents, add new jewelry to your collections policy, download your Auto ID card and explore other exclusive member benefits in the Member Privileges section of the PURE Insurance mobile app.



## Want to help us improve?

Many of the improvements we have made over the years are the result of feedback from members. To help us gain even more insights from the membership and enable even more members to be heard, we created the Member Feedback Group. This group is asked to weigh in on a range of topics, some of which include new and existing coverages, as well as top concerns related to risk. Most recently, the group weighed in on the use of telematics—which collect data about a vehicle, like miles driven—in order to better personalize pricing for Automobile coverage. To join the group, email [getinvolved@pureinsurance.com](mailto:getinvolved@pureinsurance.com).



We're honored to have received several premier awards in the wealth management and financial services industry. We believe this recognition is the result of our dedication to serving the membership. We are also delighted to be recognized for our creativity and innovation, designing membership-focused products and services. It's a testament to our team's focus on creating an even better experience for you.

Best in Category  
For Creativity: PURE Home Spotlight

**NAMIC**  
2021

Best Insurance Underwriter  
**FAMILY WEALTH REPORT AWARDS**  
2016 • 2017 • 2018 • 2019 • 2020 • 2021 • 2022

Best High Net Worth  
Insurance Company  
**PRIVATE ASSET MANAGEMENT AWARDS**  
2018 • 2019 • 2020 • 2021 • 2022

Most Innovative  
Product of the Year: PURE Home Spotlight  
**BEST IN BIZ AWARDS**  
2021

But the greatest honor is the  
loyalty of our members



DELIVERING  
*on our  
commitment to*  
TRANSPARENCY



# The PURE Membership

## Growth

In 2021, we welcomed 13,551 new responsible, successful individuals and families, growing the total membership to 105,861. Growth remains steady across all regions.

105,861 *total members*

## Retention & Relationship Expansion

We are proud that 94.0% of members elected to renew with PURE in 2021, with many adding to their coverage. Among existing members, the number of new Homeowners, Automobile, Collections and Excess Liability policies increased by 30.0% compared to 2020. And, the number of scheduled jewelry pieces and art increased by 24.8% and 17.1%, respectively.

94.0% *member retention*

## Member Diversification

The membership continues to diversify geographically. Diversified growth enables PURE to improve efficiency and reduce the severity of any one catastrophic event in relation to our overall membership.

### MEMBERSHIP BREAKDOWN BY ZONE AND REGION

<b>EASTERN ZONE</b>	<b>35.0%</b>	<b>CENTRAL ZONE</b>	<b>24.0%</b>
New England	12.9%	Midwest	9.9%
New York	12.5%	Gulf	9.5%
Mid-Atlantic	9.6%	South Central	4.5%
<b>SOUTHERN ZONE</b>	<b>24.1%</b>	<b>WESTERN ZONE</b>	<b>16.9%</b>
Southeast	13.7%	Western States	9.1%
Florida	10.5%	California	7.8%

In late 2021, PURE welcomed our first



*Idaho members,*

completing our national expansion.

## Product Diversification

PURE's product mix is well balanced across our lines of business, which helps to spread risk.

### PERCENT OF MEMBERSHIP THAT PURCHASES EACH PRODUCT

84.0%	73.8%	66.5%
<b>EXCESS LIABILITY</b>	<b>COLLECTIONS</b>	<b>AUTOMOBILE</b>
36.9%	13.4%	7.6%
<b>FRAUD &amp; CYBER</b>	<b>FLOOD</b>	<b>WATERCRAFT</b>



Nearly every member has a Homeowners policy with either PURE or our surplus lines affiliate.



Our Fraud and Cyber coverage (PURE Starling™) continues to be our fastest growing product, with a 7.0% higher purchase rate in 2021 than in 2020.



Hurricane Ida shined a light on the real risk of flood, especially in areas where flood coverage has historically not been required. We hope to see more members throughout the country purchase this valuable coverage. Learn more at [pureinsurance.com/coverage-solutions](https://pureinsurance.com/coverage-solutions).

# Benefits of Membership

## Fifth Renewal Benefit

Upon reaching their fifth renewal, members no longer pay surplus contributions as part of the cost of their insurance (see page 54 for more information). In 2021, 11,098 more members passed this milestone, saving them over \$12 million this year alone on the cost of their insurance.

A total of  
47,461 *members no longer pay surplus contributions*

## Loss Prevention Benefit

We aim to help you prevent losses but, if a loss does occur, our Homeowners policy includes a \$2,500 Loss Prevention Benefit that you can use following a covered Homeowners claim of \$10,000 or more to reduce the likelihood of a similar claim from reoccurring.

\$1.3M *invested alongside 655 members in loss prevention in 2021*

## Subscriber Savings Accounts

Since 2010, PURE has allocated a total of \$118 million back to the membership through contributions to members' Subscriber Savings Accounts (SSAs). Allocations over the years have varied from \$1 million to \$25 million based on PURE's operating results. These funds remain on PURE's balance sheet, contributing to lower premiums, reducing the cost of capital and increasing financial strength. Should a member decide to leave PURE, the funds held in their SSA are theirs to take with them.

In 2021, the cost of claims and expenses exceeded what PURE collected in premium, so for the first time in a decade, we will not contribute to SSAs. This has no impact on the current balance of SSAs; these accounts remain intact.

## PURE Gold Members

After 10 years of membership, you earn PURE Gold status and are eligible to receive an annual cash distribution from your SSA. Despite not making an SSA allocation for 2021, we have submitted a request to regulators to allow us to recognize this group of our most loyal members with a PURE Gold cash distribution.

Since launching PURE Gold in 2019, we have seen a 10-point increase in Net Promoter Score (NPS®) among this tenured group of members.

6,904 *members will receive a total of*  
\$815,522\* *of PURE Gold contributions in 2021*

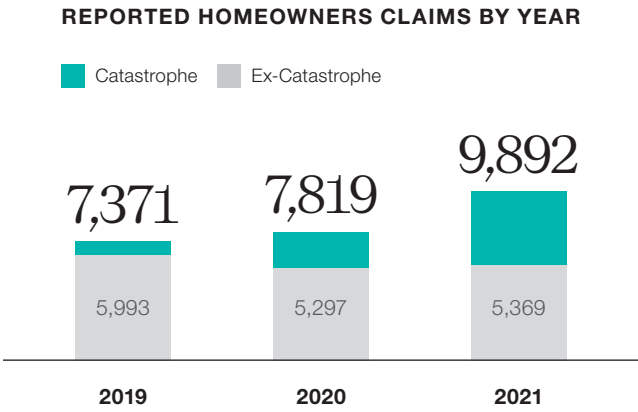
\*This is an estimated distribution amount and, at the time of publication, is still pending regulatory approval.



# Claims

The year was marked with significant weather events, including the two largest loss events in PURE's history: Hurricane Ida and Winter Storm Uri—both of which contributed to a large increase in water damage claims. In between these events were wildfires and hail storms, as well as non-weather related claims, including a record number of large house fires. And, on top of all of that, inflation and supply chain issues added to the cost and complications of helping our members get back to where they were before their claim.

CLAIMS BY LOSS TYPE		
	Reported Losses	Claim Count
<b>HOMEOWNERS</b>		
Water	\$689,704,163	9,892
Fire	\$379,661,816	4,939
Wind	\$87,879,850	1,486
Hail	\$49,525,113	938
Flood	\$10,289,163	464
Lightning	\$10,019,595	230
Theft	\$7,733,813	349
Other	\$26,486,756	1,312
<b>AUTOMOBILE</b>		
Injury or damage suffered by a member	\$119,442,580	
Injury or damage caused by a member	\$80,087,801	
<b>COLLECTIONS</b>		
	\$39,708,101	1,423
<b>WATERCRAFT</b>		
	\$8,094,294	332
<b>EXCESS LIABILITY</b>		
	\$48,605,017	109

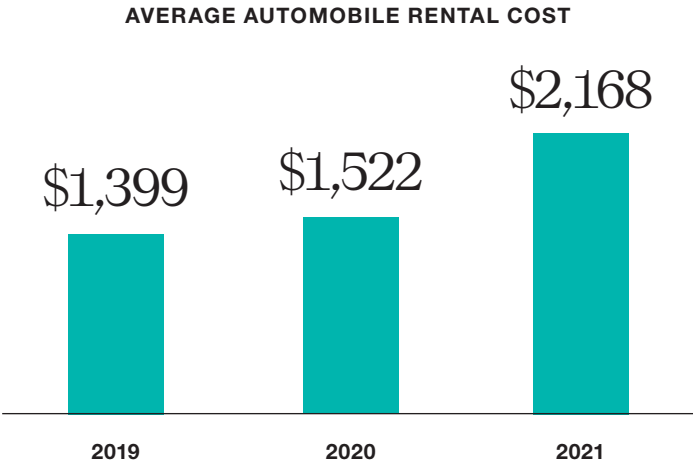


## Homeowners Claims

Catastrophic weather was the largest contributor to the increase in claim volume in 2021. In fact, the membership suffered fewer “avoidable” claims in 2021 than in 2019 (considered a typical year) and just slightly more than in 2020 (when claim count was down due to stay-at-home orders).

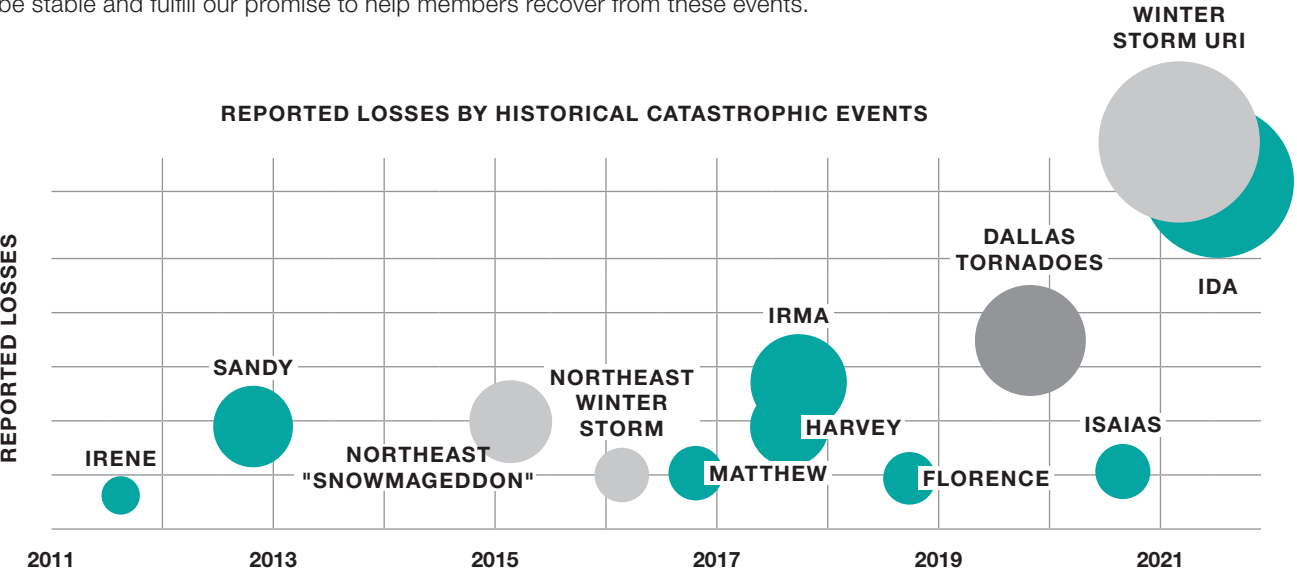
## Automobile Claims

The average automobile claim cost increased once again in 2021, now up 27.0% since 2019. Contributing to this increase is the rising cost of rental vehicles, due to a shortage of available cars to rent and lengthy vehicle repair times (as replacement parts are less available). The average rental cost on these claims was up 42.0% in 2021, compared to 2020, and up 55.0%, compared to 2019.



## Catastrophe Claims

Over the years, many significant weather events have impacted the membership. Surprisingly, it’s not been the more predictable ones, like hurricanes in Florida or wildfires in California, that have had the greatest impact. Instead, it was a cold snap in Texas where homes are not built to withstand freezing temperatures and unexpected flooding associated with a hurricane in the Northeast. While we know that catastrophes cannot be avoided, we must ensure we are charging adequate rates and setting aside a catastrophe budget to continue to be stable and fulfill our promise to help members recover from these events.



## Claims Insights

**FLOOD** | Hurricane Ida caused more than 100 covered flood claims that totaled more than \$8.5 million in payouts for members. Unfortunately, there were also members impacted who didn’t have coverage. This isn’t just an issue among the PURE membership. Too often, people opt to forgo flood coverage, likely steered by outdated flood maps, and they are then faced with costly flood damage. The reality is that flooding can happen anywhere, even if you don’t live in a high-risk zone.

**EXCESS LIABILITY** | 83.0% of all Excess Liability claims among the membership are the result of an underlying automobile claim, including what is expected to be a \$10 million claim that originated in 2021.

**FRAUD** | Instances of fraud were up. Claims spanned from hacked wire transfers to identity theft, with a notable number of claims by contractor fraud. As a unique benefit to our membership, PURE Starling™ covers incidents of fraud, whether they originate online or off.

**FIRE** | There was a record number of large house fires. In fact, the five costliest claims to impact the membership to date were all house fires that occurred in 2021 (two of which were started by lightning strikes).

**WATER DAMAGE** | Nearly a third of all water damage losses occurred in northern Texas and the surrounding area, where homes are not built to withstand the extended freezing temperatures brought on by Winter Storm Uri and the grid failure. We found that older-built homes had a significantly higher claim frequency compared to newer-built homes in the same neighborhoods, and that homes with a fire-suppressing sprinkler system, a device intended to prevent losses, had a higher claim frequency than those without this system.

# Financial Strength

## AM Best Rating

In early 2021, PURE's financial strength rating was upgraded to *A+ (Superior)* by AM Best, one of the insurance industry's leading rating agencies.

This rating reflects a strong balance sheet, good operating performance and very strong enterprise risk management, as well as the explicit support of Tokio Marine Holdings, Inc.

## PURE's Combined Ratio

An insurer's combined ratio measures losses and expenses against premiums to help evaluate underwriting results. Management monitors PURE's overall performance by measuring the Adjusted Combined Ratio, an indicator that reflects the impact of reinsurance and the benefit of member surplus contributions (which go directly to PURE's balance sheet). PURE's adjusted combined ratio of 110.5% in 2021 was higher than what management expected. This was due, in large part, to catastrophic events, most notably Winter Storm Uri and Hurricane Ida.

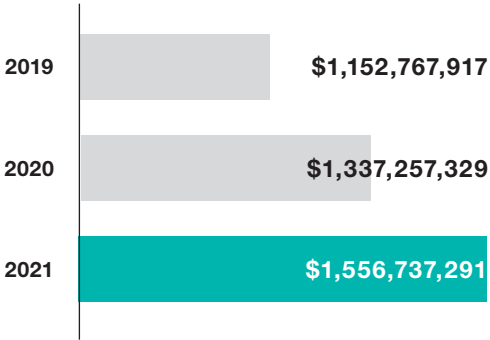
## Impact of Surplus Contributions

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 premium, provide a steady flow of capital to PURE, which helps keep premiums low. Surplus contributions add to policyholder surplus and support PURE's financial strength.

2019	\$55,643,138
2020	\$56,133,817
2021	\$59,156,021

## Direct Written Premium

PURE continues to experience steady organic growth in direct written premiums, with an increase of 16.4% in 2021.



## Policyholder Surplus

Policyholder surplus represents the capital that allows an insurer to meet all of its obligations beyond premiums, reserves and reinsurance. In 2021, PURE's surplus grew by more than 39.0%. This significant increase was in large part due to additional funds invested by Tokio Marine in the form of a surplus note. This capital infusion strengthens PURE's claims paying ability, supports continued growth and was used to pay down other notes with much higher interest rates.

2019	\$314,987,370
2020	\$333,287,966
2021	\$463,630,677

# Reinsurance

Reinsurance plays an important role in reducing volatility and protecting PURE against severe catastrophic events, while also helping to support financial strength. Reinsurance contracts (known as treaties) also provide capital relief and have helped support the financial strength of PURE. In recent years, the increase in frequency and severity of catastrophic events, like wildfires and hurricanes; the uncertainty from the pandemic; and the emergence of unprecedented events, like the aftermath of Winter Storm Uri, have added to the already hardening reinsurance market. This hardening market has caused reinsurers to continue to increase their rates across most lines of business. While Uri marked the largest catastrophic event since PURE's inception, our conservative reinsurance program provides protection for events 10 times larger than Uri. And, while in the near term, reinsurance costs will continue to increase, we will continue to maintain this highly conservative level of protection in order to offset potentially volatile underwriting results.

Reinsurance treaties provide several types of protection, including:

## 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 places these treaties for specific lines of business and has a quota share structure combining Homeowners, Automobile, Personal Excess Liability, Collections and Watercraft into one all-lines quota share. This treaty structure is designed to 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 collections. Under these treaties, reinsurers not only respond if there is a loss under a covered policy that is in excess of a predetermined amount but also provide important volatility protection against high-severity loss perils (typically large fires).

## Catastrophe Excess of Loss

PURE purchases significant reinsurance to protect against losses to multiple policies by hurricanes, wildfires, earthquakes and other natural catastrophes that tend to result in 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 losses that have 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. In 2021, PURE experienced two catastrophic events that were large enough to trigger the catastrophe excess of loss program; however, relative to the total reinsurance purchased, these events were small.

KEY REINSURERS	AM BEST RATING	PRO-RATA	CATASTROPHE	ALL OTHER
AMERICAN AGRICULTURAL INSURANCE COMPANY	A	•	•	
ASPEN INSURANCE HOLDINGS LIMITED	A	•	•	
AXA XL REINSURANCE LTD.	A+	•	•	•
GENERAL REINSURANCE CORPORATION	A++	•		
HELVETIA	A+	•	•	•
LIBERTY MUTUAL INSURANCE COMPANY	A	•		•
LLOYD'S SYNDICATES	A	•	•	•
MUNICH AMERICAN REASSURANCE COMPANY	A+	•		
NATIONAL LIABILITY & FIRE	A++	•		
NAVIGATORS GROUP, INC.	A	•	•	
SWISS REINSURANCE AMERICA CORP.	A+	•		
THE HANOVER INSURANCE COMPANY	A	•	•	•
TOKIO MARINE	A++	•	•	•



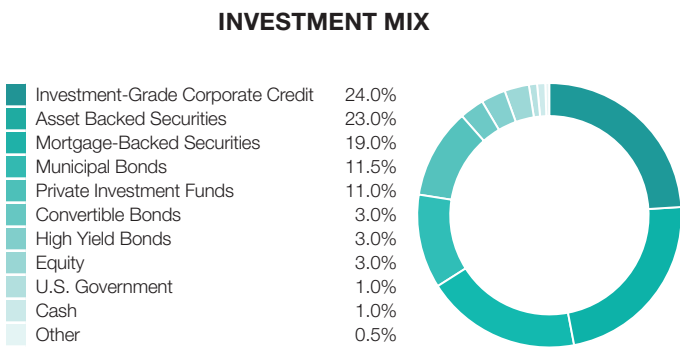
# Balance Sheet

PURE	2021	2020	CHANGE	VARIANCE
TOTAL CASH & INVESTED ASSETS	\$760,011	\$485,728	\$274,283	56%
NET ACCOUNTS RECEIVABLE	\$594,410	\$482,960	\$111,450	23%
OTHER ASSETS	\$3,733	\$2,550	\$1,183	46%
<b>TOTAL ASSETS</b>	<b>\$1,358,154</b>	<b>\$971,238</b>	<b>\$386,916</b>	<b>40%</b>
UNPAID LOSSES & LAE	\$210,942	\$111,897	\$99,045	89%
ACCOUNTS PAYABLE & ACCRUED	\$86,218	\$72,905	\$13,313	18%
UNEARNED PREMIUMS	\$219,314	\$92,564	\$126,750	137%
REINSURANCE PAYABLE	\$345,508	\$326,264	\$19,244	6%
OTHER CURRENT LIABILITIES	\$32,541	\$34,320	(\$1,779)	(5%)
<b>TOTAL LIABILITIES</b>	<b>\$894,523</b>	<b>\$637,950</b>	<b>\$256,573</b>	<b>40%</b>
SURPLUS NOTES	\$309,366	\$110,831	\$198,535	179%
MEMBER SURPLUS CONTRIBUTIONS	\$313,750	\$263,760	\$49,990	19%
SUBSCRIBER SAVINGS ACCOUNTS	\$99,401	\$90,235	\$9,166	10%
UNASSIGNED SURPLUS & OTHER	(\$258,886)	(\$131,538)	(\$127,348)	97%
<b>SURPLUS AS REGARDS TO POLICYHOLDERS</b>	<b>\$463,631</b>	<b>\$333,288</b>	<b>\$130,343</b>	<b>39%</b>

\*Dollars in thousands

# Investments

This was a positive and active year for PURE's investment program despite the challenges of the macro-economy, geopolitics and the pandemic. PURE's cash and invested assets increased by nearly \$274 million in 2021 through positive investment return and the issuance of new surplus notes. PURE's conservative investment portfolio consists primarily of short-duration, high-credit-quality, fixed income assets. Over the last two years, PURE has endeavored to increase investment yield and diversification through introducing new asset classes, including private investments. In 2021, PURE made \$90 million in new commitments to attractive private investments, increasing its exposure to private markets from 5.0% to 11.0% during the year. The newly added private investment managers lend to private companies, purchase rental homes and fund commercial real estate projects. PURE also made its first Environmental, Social and Governance (ESG) investment in a private fund focused on supporting climate infrastructure projects in North America that build solutions for energy storage and supports the transition to renewable energy sources. Our goal, as always, is to protect and grow PURE's investment assets to support the ongoing insurance operations of the reciprocal.



TOTAL CASH & INVESTED ASSETS	
2019	\$407,086,616
2020	\$485,728,363
2021	\$760,011,327

# Executives



**ROSS BUCHMUELLER**  
President and  
Chief Executive Officer



**SHANNON BOWES**  
Senior Vice President,  
Head of Product Management



**KEVIN DALEY**  
President,  
Field Operations, West



**MARK GALANTE**  
President and Chief Executive  
Officer, PURE Programs



**LINDSAY HOLDEN**  
President,  
Field Operations, East



**KATIE KRUM**  
Senior Vice President,  
Chief Marketing Officer



**DAVE LOGAN**  
Executive Vice President,  
Chief Risk Officer



**JASON METZGER**  
Senior Vice President,  
Head of Underwriting and  
Risk Management



**JEFF PARASCHAC**  
Executive Vice President,  
Chief Financial Officer



**KATHERINE RICHARDSON**  
Executive Vice President,  
Chief Human Resources Officer



**MATT SCHREIBEIS**  
Senior Vice President,  
Head of Member Experience



**KRISTEN VICINO**  
Senior Vice President,  
Head of Service



**DEREK ZAHN**  
Senior Vice President,  
Chief Claims Officer

Privilege Underwriters Reciprocal Exchange

Subscribers' Advisory Committee

Ross Buchmueller, *President and CEO, Privilege Underwriters, Inc.*  
Joey Cummings, *Founder and CEO, The Joey Company*  
Douglas Fields, *Executive Vice President, Alliant 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

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Auditor

PwC | New York, NY

Investment Management

Asset Allocation & Management (AAM) | Chicago, IL

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Tomoya Kittaka, *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.*  
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Charleston, SC 29403





PURE Insurance is the marketing name used to refer to Privilege Underwriters Reciprocal Exchange (PURE), a Florida domiciled reciprocal insurer. PURE Risk Management, LLC (PRM), a for-profit entity serves as PURE's attorney-in-fact for a fee. PRM is a subsidiary of Privilege Underwriters, Inc., a member of the Tokio Marine Group of Companies. This material is descriptive only. The precise coverage offered is subject to the terms and conditions of the policies issued. PURE membership requires an executed Subscriber's Agreement & Power of Attorney. Allocations to Subscriber Savings Accounts are subject to the terms of this agreement and approval by the Florida Office of Insurance Regulation. This agreement and additional information are available at [pureinsurance.com](http://pureinsurance.com). Trademarks are property of PRM and used with permission. ©2022 PRM. All Rights Reserved. 44 South Broadway, Suite 301, White Plains, New York 10601. PURE HNW Insurance Services, CA Lic. 0178980.