We make our members *smarter, safer and more resilient* so that they can pursue their passions with *greater confidence*. 
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DEAR PURE MEMBERS,

2014 was another strong year for PURE. I couldn’t be more grateful for our team or more proud of all they have accomplished in the past year.

EXPANSION AND DIVERSIFICATION. In 2014, direct premiums increased to more than $350,000,000, marking the eighth consecutive year we have achieved a growth rate of at least 40%. Our growth and diversification has been driven, in large part, by referrals generated from delighted members who have experienced our exceptional service, as well as our expansion into new markets. In the second half of the year, we launched in California, the largest and most affluent state in the country. Our presence here will create tremendous opportunity for many years to come. The members that we welcome from this state help to further support our diversification efforts as they face risks not correlated to hurricanes in the Southeast, hailstorms in Texas or frigid temperatures in the Northeast and Midwest. We now operate in all but one state and generate more than $1,000,000 of premiums in 31 states. We continued to invest in our infrastructure to support growth, including the opening of an office in New York City (our ninth location).

A SUPERIOR MODEL. Early in 2014, we allocated $5,000,000 of prior-year surplus growth to Subscriber Savings Accounts (SSA). A strong operating performance, contributions from our membership, and multi-faceted access to capital markets allowed us to grow statutory policyholder surplus of the PURE Group by approximately 30% to more than $200,000,000 by year end, further enhancing our claims-paying ability. Additionally, we attracted the support of a premier asset manager to replace an existing surplus note at a lower interest rate, further lowering our cost of capital. For the year, PURE’s gross combined ratio was 92.2%, or 81% when adjusted for the impact of reinsurance and surplus contributions. We are especially pleased with our results, considering some of the challenges we faced during the year:

- We defended and settled more seven-figure liability claims in 2014 than we had in all prior years combined;
- The cost of damages from winter weather in 2014 was similar in cost to our losses during Superstorm Sandy; and,
- In the aftermath of a devastating fire (the costliest claim in our history) we are rebuilding a beautiful home at a likely expense in excess of $10,000,000.

Despite these losses, we emerged with a lower cost of capital and an enhanced claims-paying ability, due in large part to the strength of our model.

AN EXCEPTIONAL MEMBER EXPERIENCE. Annual member retention reached 96% by the end of 2014, an all-time high. We have applied to our regulators to make our largest ever SSA allocation, and are hopeful that it will have a powerful impact on retention, like those before it did. We use Net Promoter Score (NPS®) as a way to measure one of our core goals for the enterprise — member enthusiasm. We are thrilled to see continued improvement with a world-class NPS of 65. Nobody does a better job of creating an
environment for great service than our Chief Claims Officer, Gary Stephen. It is nearly unfathomable to think that we have not re-assigned a single claim from one adjuster to another due to staff turnover since late in 2012. Our online Claims Tracker, a key feature of our Member Portal, won awards from the industry and praise from our membership, but the behind-the-scenes leadership and commitment of our professionals sets us apart from others.

PARTNERSHIP AND ALIGNMENT OF INTERESTS. Our business is naturally interdependent. We aim to delight our membership, and we also value the incredible commitment of the panel of independent insurance brokers who introduce us to you and provide such essential advice and counsel. We work hard to find as much alignment of interests as possible for our members, brokers, colleagues and outside investors. In 2014, there was a continued surge of new capital into the reinsurance markets. New choices and lower reinsurance premiums created disruption in these markets. We are pleased to report our cost for reinsurance protection continues to trend downward, and I am proud we have chosen to strengthen our partnerships with longstanding traditional reinsurers. Our model works best when all stakeholders have alignment and a long-term focus. We made great progress in this regard during 2014.

A CHANGING MARKET. Given that the number of wealthy consumers to insure has increased, as has the size of their assets requiring protection, you would expect significant growth in our niche. Yet the companies that have been catering to the wealthy the longest have been consistently losing share in the U.S. personal insurance market. Recently, one of the longest-standing players in our category, Fireman’s Fund, decided to discontinue their personal insurance operations and is in the process of selling the rights to renew their policies to another insurer. In the short term, the exit of a major player will create opportunities for PURE — especially in California. Over the long term, we will fuel sustained growth by earning the enthusiasm of our membership, as we seek to create legions of PURE ambassadors who tell their friends, colleagues and family members about our exceptional service.

A REINFORCEMENT OF PURPOSE. For thousands of years, mankind has looked for ways to spread risk and prevent loss or damage. For hundreds of years, people and businesses have transferred their risks through insurance. And for about 50 years, we have seen publicly-traded insurance companies operate for the benefit of outside shareholders. Our CFO somewhat jokingly refers to this as a “failed experiment”, as insurers have consistently failed to offer good returns to investors while struggling to find alignment with policyholders. We have been unabashed promoters of mutuality (in various forms), but we also understand the importance of purpose. “What” we do may be described as insurance and risk management services. “How” we do it is often defined by our empathy and professionalism, but our purpose is defined by “why” we are in business. Simply, we make our membership smarter, safer and more resilient so they can pursue their passions with greater confidence. We remind our team of this purpose every day; it is what inspires us to build new products and services and to serve you to the very best of our ability.

I thank you for the opportunity to serve you, and for your enthusiastic participation as a member.

Sincerely,

Ross Buchmueller, President & CEO
DEAR FELLOW PURE MEMBERS,

As you may recall, the Subscribers’ Advisory Committee meets quarterly with Ross and other members of management (the Attorney-in-Fact) to stay abreast of developments pertaining to PURE and offer advice in areas where we hope to add value. Our primary fiduciary role involves the procurement of an audit of PURE (the Reciprocal Exchange) and a further review of the financials of PURE Risk Management (the independent Attorney-in-Fact). Another strong report and corresponding meeting with the auditors have again affirmed our confidence in the strength and alignment of the model.

In 2014, we embarked on an unprecedented campaign of engagement. In addition to acting as ambassadors for PURE within our respective communities and networks, the committee came together to host several exciting events. In February, we hosted a breakfast in Nashville for more than 100 of the top insurance brokers in the high net worth market, many of whom are also PURE members. We fielded questions from these important business partners and gave them a better sense of the role and contributions of this committee. In December, our quarterly meeting was held in Miami, enabling us to host a reception for a few dozen PURE members, prospects and brokers, many of whom were in town for the renowned Art Basel festivities. It was stimulating to listen to so many business owners, entrepreneurs, corporate executives and other professionals share their appreciation for PURE’s services and how their insurance company helps them pursue their passions, including collecting art.

In so many ways, PURE has been built on a foundation of transparency and alignment of interests. As a recent example, we held a retreat with management this past fall, during which we explored a vision for the future. Following two days of collaborative and candid discussions about strategy, I left even more excited about the future of the company and the strong bond between our membership and its Attorney-in-Fact. The first eight years have been outstanding – and the future is even brighter.

It has been a pleasure being part of this committee. I hope to be able to serve PURE for many years to come, and I hope you will join me by being advocates for our special company along the way.

Sincerely,

William W. Wilson III, Chairman, Subscribers’ Advisory Committee
THE FOUNDING TEAM
NOW IN THEIR 10TH YEAR AT PURE

Ross Buchmueller, Martin Hartley and Jeff Paraschac had an idea for a better way to serve successful individuals and families. From this idea, Privilege Underwriters Reciprocal Exchange (PURE) was born.

Back in 2006, a special group of people came together to help Ross, Martin and Jeff execute their vision of building a model company in this industry and a leader in the high net worth insurance niche. Now, in their 10th year together, many of the original founding team remain, although together they now only make up 6% of PURE’s employee base.

While a lot has changed since 2006 (roles and titles, relocations, weddings, children and so much more) their shared commitment to build the best insurer for high net worth families remains.
A powerful series of tornadoes ripped through Tupelo, Mississippi on April 28, 2014. It took mere minutes for the 111-mph winds to level homes, destroy businesses – and uproot the lives of several PURE members. Here’s how PURE helped restore normalcy to these members and made them more resilient.

“I QUICKLY REALIZED THAT KEN, MY CLAIM ADJUSTER, WAS HERE TO PUT MY NEEDS FIRST.”- Scott Reed, PURE member since 2012

When Scott Reed emerged from his home moments after a tornado tore through his property, he was not prepared for the level of destruction.

There were holes in the roof. Windows were blown out. His home was flooded. Hundreds of trees were toppled. His cars and boats, totaled. And timbers from the church that had moments before stood at the edge of his property were now jutting from the side of his home, like pins in a pincushion.

At the time, Scott never would have expected to be back in his fully renovated home by Christmas – but that’s what happened, thanks to PURE and what he calls a “great friendship” with his PURE Claim Adjuster, Ken Beltran.

“He became my advocate and is still my best sounding board. I don’t make one decision without talking to him first,” said Scott. “I didn’t realize I could get that type of partnership from an insurance company.”

Scott said his experience was very different than that of many of his neighbors. “I was hearing disappointing stories from people all over town, fighting with their insurance companies. But it was different with PURE. They made it so easy.”

“Ken told me, ‘This insurance is about getting you back to where you were’, and he was right,” continued Scott. “The support really transcended insurance.”
“I’VE NEVER EXPERIENCED OR SEEN THIS KIND OF CLAIM OR CUSTOMER SERVICE. AND I’VE SEEN A LOT.”
- Joey Hutto, Independent Insurance Broker and PURE member since 2012

Joey Hutto has been in the insurance business for 41 years. So after a tornado devastated his home, his instinct was to jump into action – for his family, his neighbors and his clients.

“We have a close community here. And we have high expectations, because we’re a large firm and our clients mean a lot to us,” Joey said. “So I wanted to get to work for them right away. And PURE helped make us look good with some hurting people.”

Joey worked with PURE and his local business contacts to take care of urgent needs. “And then Ken Beltran rode in on his white horse,” he said.

Ken worked with Joey on his personal claim and on those of his clients, ensuring all needs were met and all questions were answered.

“I’ve been in the insurance business for a long time, and I’ve represented most insurance companies, so I’ve seen the good, and I’ve seen the poor,” said Joey. “And PURE is just different. You know they’re going to take care of business.”
A POSITIVE EXPERIENCE FOR A MEMBER DEALING WITH DISASTER

“When you have six trees in your master bedroom, you’re not thinking about what you need to do first. Thankfully, Pure did the thinking for me.” - Valerie Whitwell, Pure member since 2013

A whispering swish of wind. The smell of pine. That’s what Valerie Whitwell remembers from the moments after the tornado hit her Tupelo home.

“I stepped out of the closet where I was hiding with my dogs by my side, and the first thing I noticed was a fine layer of pink insulation over everything,” said Valerie. “And then I saw the trees.”

The trees smashed through her master bedroom roof and walls. “I just stared at this massive hole in my house, and the unimaginable mess that was my home. And I didn’t know what to do,” she said.
We use technology, analysis and resource planning to ensure we deliver an exceptional response whenever and wherever a catastrophe might strike. Our Catastrophe Plan is designed to deliver a swift response to members in affected areas without disrupting the service experiences of other members.

Our plan begins with a sophisticated modeling exercise, where we assess the potential impact of possible major catastrophic scenarios on our membership. We use this model to develop a response plan for the potential “worst case” situation and to help inform our underwriting strategy.

Beyond that, we are constantly monitoring for events, using state-of-the-art technology and early-warning services. When one is identified, we overlay a map of the affected area with one of our members’ homes to understand how the risk will impact our membership. Our response plan then varies depending on the type of catastrophe.

RESPONDING TO FORECASTED EVENTS:

• PURE Member Advocates® reach out to as many members as possible in the anticipated impact zone and offer assistance.

• If the member is away from the residence and cannot return before the predicted event, upon request, we will make our best effort to help secure the home.

• Upon request, we can help members relocate and protect high-value collections and automobiles.

• We activate The PURE Situation Room™. Through this online platform we provide valuable, timely risk management information, and make it easy for members to reach us quickly when help is needed. In addition to catastrophe-related information, the site includes valuable and authoritative content from our Risk Managers and Claims Adjusters to help you reduce your everyday risks. Learn more at puresituationroom.com.

RESPONDING TO ALL EMERGENCY INCIDENTS:

• Once access is permitted, PURE’s expert Claim Adjusters are deployed to the scene to accelerate the settlement process and tend to members in need.

• At the same time, our contracted restoration and remediation partners are deployed. They are typically on the scene within 24 to 48 hours — if not sooner — providing roof tarping, collectible and automobile evacuation, tree services, dry-cleaning, dry-out services, marine surveying, inventorying and more.

As Gary Stephen, Chief Claims Officer, says, “We hope for the best for you and your family but are prepared for the worst.” If you have any questions about how to prepare your family and your property for a catastrophic event, please contact a PURE Member Advocate at memberadvocate@pureinsurance.com.
The 2014 Report to Members

PURE RESPONSIVENESS

David and Alice Thrasher at their lake house in Titus, AL

LOSS PREVENTION BENEFIT

Getting back to normal includes not worrying that your current loss could happen again. That’s why our homeowners policy includes a $2,500 Loss Prevention Benefit that members can use to make their homes safer or better equipped to prevent the loss from recurring.
WASTING NO TIME TO HELP A MEMBER

“WHEN YOU HAVE A NEW HOME WIPED OUT, AND A WIFE, CHILDREN AND GRANDCHILDREN IN TEARS, IT’S HORRIBLE. BUT PURE TURNED A BAD SITUATION INTO A WONDERFUL EXPERIENCE.” - David Thrasher, PURE member since 2013

The Thrashers were looking forward to spending the summer with their children and grandchildren in their new lake house. This excitement was washed away with one call from their water company.

“After an ice storm, the water company called to tell me the water usage in the home had gone up significantly, and that they suspected a burst pipe was to blame,” David said.

The Thrasher’s vacation home in Titus, Alabama, was one of many burst-pipe casualties during the extreme low temperatures that shocked much of the country in early 2014. The impact in the Southeast was particularly severe because homes were not prepared for these conditions. “I had turned up the heat in the home to 65°F before leaving, and my son had checked on the home. Everything seemed fine.” Unfortunately, the heat didn’t make its way into the attic, which housed the water heater. When the temperature in this part of the home dipped below freezing, water froze in the pipes, and eventually one burst. “I got the call from the water company five days later.” By that time, the water damage was extensive. All of the walls, floors and personal items in the home were destroyed.

“We found out on a Friday night, and we were devastated,” David said. “But I called PURE, and within a few hours they had a crew at my house to start the dry-out process. They didn’t waste any time. I am grateful to PURE and my broker, Starke Agency, for helping us recover so quickly.”

Although the damage was widespread, the Thrashers were able to enjoy their home by the end of the summer. They used the funds provided by PURE’s Loss Prevention Benefit toward the cost of relocating the water heater from the attic to the basement, to help prevent future loss.

THE AVERAGE COST OF BURST PIPE CLAIMS AMONG PURE MEMBERS IS $55,000

What actions can you take to lessen your threat of this loss?

• If you have plumbing located in the attic, in a crawl space, in a cold area of your basement (away from heating systems), or in another unheated area of your home:
  - Make sure the room/area is properly insulated.
  - Insulate the pipes with pipe insulation or self-regulating heat tape. Heat tape is an electrical heating cable that is wrapped around a pipe. It automatically varies its heat output with changes in surrounding temperatures.
  - Consider installing low-temperature sensors in the area/room that are wired into your central monitoring station. Set the temperature monitor for 45°F to allow ample time should you need to take action.
• During extended periods of freezing temperatures, maintain a minimum thermostat setting of 65°F.

• If you have a seasonal or secondary home, enlist the services of a professional caretaker to look in on your home every day.

• Make use of today’s technology. Most alarm companies have mobile apps or websites that enable homeowners to remotely change temperature settings (as well as light and security settings) in their home. Many provide alerts if the temperature rises or falls. Others allow you to view footage from home security cameras directly on your smartphone. Talk to your alarm company to find out what options are available to you or contact the Member Advocate® to learn about other smart technology solutions.

• Install an automatic water shut-off device. These are designed to automatically stop the flow of water into a home when a leak is detected. Through the Member Advocate, PURE members can take advantage of a special savings offer with our preferred partners.

For additional advice, including permanent measures you can take to better protect your home from the damaging effects of burst pipes, visit pureinsurance.com/burst-pipes or contact a PURE Member Advocate® at memberadvocate@pureinsurance.com.
The 2014 Report to Members

“We really were a team on this. Pure did everything they said they were going to do – and more. As a homeowner, that’s very comforting, and that comfort is worth every dollar.” – Doug Clark, PURE member since 2012

It was just past 8 p.m. Doug and Tarra Clark’s four young children were going upstairs to bed while a storm raged outside. They had lost power, but the family – including the two dogs – were together and safe.

And then, lighting struck.

“It was as if the whole house exploded,” recalled Doug, a PURE member in Baton Rouge, LA. “The lightning blew a hole in the roof right above my boy’s bed. The alarm started wailing, my kids were shouting. It was chaos.”

After ensuring all family members were unharmed, Doug called the alarm company to turn off the alarm. They told him he needed to unplug the transformer.

“I opened the door to the attic and started looking for the plug. My son was behind me. Suddenly he yelled, ‘Dad, look up!’ All the rafters were orange. The house was on fire,” he said.

The Clarks were able to safely escape the burning home before the fire spread. But by the time the fire was extinguished, the upstairs of the home was a complete loss and the downstairs had significant smoke damage.

The next morning, Doug visited his still-smoldering home to call a list of service companies. But before he made his first call, his phone rang. It was a PURE Member Advocate®.

“She wanted to know if we were okay and if we had any immediate needs,” Doug said. “And then she began listing all of the things PURE had already put in motion to ensure our needs were met.”

By 12:30 p.m. that day, a remediation crew was in the home, the Clarks had comfortable and convenient temporary housing secured, and their PURE Claim Adjuster, Eric Harson, was on his way. An amazed Doug realized he had no calls to make.

“I kept waiting for something to go wrong, but nothing ever did,” he said. “Throughout the process of rebuilding our home,
Lightning damage can be very costly but may be avoidable. Whole-house surge protectors, which typically cost less than $1,000, and lightning suppression systems can help to protect your home and its electrical systems from the damaging effects of lightning. Your PURE Member Advocate® can help to identify the device that’s right for your family’s needs and facilitate the installation.

Making Members More Resilient

In April 2014, we reached out to more than a dozen members who had lost their homes to a fire or suffered other devastating losses. We conducted in-depth interviews to better understand the emotional impact of large losses and to develop strategies to create a better member experience. As we listened, it was clear that each member experienced a deep sense of trauma and shock. The research also found that the uncertainty of the claims process added to their anxiety. With these findings in hand, we looked to identify strategies to help our membership recover from large losses.

Even though every loss is unique, our experts have seen enough large losses to understand “what is next.” We developed the PURE Large Loss Guide as a tool to give visibility to our members into the process of rebuilding and recovery. This Guide can help reduce uncertainty by offering answers to common questions, day or night. It is intended to supplement the one-on-one, personal assistance provided by their Claims Adjuster and PURE Member Advocate®.

We also began to study the issue of human resiliency. We set in motion training programs that will prepare our Claims Adjusters to better understand the impact that traumatic events can have on our membership. We met with experts on trauma and resiliency to develop specific strategies that could apply to our business. The insights from the experts matched with the feedback from our research: the faster that we can help our members return to normalcy, the faster they recover from the trauma.

Lastly, we continue our pioneering to make homes more resilient. In addition to providing funding for the Insurance Institute for Business and Home Safety, we have invested nearly $1,000,000 in technologies and strategies that will reduce the recurrence of large losses.
PROTECT YOUR ASSETS WITH PERSONAL EXCESS LIABILITY COVERAGE

Lawsuits and judgments associated with common accidents, injuries and accusations are a real threat to successful families. The more assets you own, the more vulnerable you may be. That’s why Personal Excess Liability (PEL) coverage is a highly efficient way to transfer risk and help protect your assets.

The following advice is intended to help you assess your risk level and guide you to select the proper coverage. As always, your independent insurance broker can help you in this process.

1. MAKE SURE YOU HAVE ENOUGH COVERAGE TO PROPERLY PROTECT YOUR ASSETS.

PURE recommends that members have a minimum of $5,000,000 in liability coverage; however, more is often the prudent choice, especially if you have a higher net worth.

PURE’s PEL policy provides a great deal of coverage for the price. For a typical PURE member, the policy costs about $800 per year for $5,000,000 in coverage, or $1,550 per year for $10,000,000 in coverage. Coverage limits start at $1,000,000 and go up to $50,000,000.

2. MAKE SURE THERE ARE NO GAPS BETWEEN YOUR UNDERLYING COVERAGE AND YOUR PERSONAL EXCESS LIABILITY COVERAGE.

This issue is most common among people who have multiple insurance advisors. The problem occurs when the liability limit in their underlying insurance policy (most commonly Automobile) does not protect up to the limit where their PEL policy picks up. Having one advisor responsible for managing your entire personal insurance portfolio greatly reduces the likelihood that you will have gaps in coverage.

For PURE members who maintain the minimum requirements for Automobile, Homeowners and Watercraft insurance, our Personal Excess Liability policy provides seamless coverage if and when your underlying policy’s liability limits are exceeded.

3. MAKE SURE YOU ARE PROTECTED FROM UNINSURED OR UNDERINSURED MOTORISTS.

Excess Uninsured/Underinsured Motorist (UM/UIM) coverage can protect you if you are involved in an automobile accident with someone who does not have insurance, or does not have enough insurance to cover your costs. This is critical, as one in seven people in the U.S. do not have insurance and a greater number don’t carry enough to cover them in a significant accident. The issue is greater in Oklahoma, Florida, Mississippi, New Mexico, Michigan and Tennessee where it is estimated that one in five drivers are without adequate coverage.

4. IF YOU EMPLOY DOMESTIC STAFF, YOU MAY NEED THE ADDED COVERAGE OF EMPLOYMENT PRACTICES LIABILITY INSURANCE.

Employment Practice Liability Insurance (EPLI) can protect you from a lawsuit brought on by a nanny, chef, gardener or other domestic employee claiming their legal rights have been violated.

2014 was a busy year for PURE’s Personal Excess Liability claims adjusters. We defended and settled more seven-figure liability claims than we had in all prior years combined. Had these members not had Personal Excess Liability coverage, the results could have had serious implications on their net worth.
5. MAKE SURE ALL OF YOUR ASSETS ARE PROTECTED.

If you have established one or more Trusts or Limited Liability Companies (LLCs) for personal tax, privacy or asset protection purposes, ensure that the assets of these entities are protected by your PEL policy by listing the entity as a named insured, or, if you want to keep clear separation, consider a separate PEL policy in the name of the Trust or LLC.

Unfortunately accidents and lawsuits happen, even to the most responsible people. And sometimes a relatively small, seemingly ordinary “mishap” can quickly turn into a huge financial loss. Following are examples to illustrate the types of claims that have been covered by PURE’s Personal Excess Liability policy.

A PURE MEMBER’S TEENAGE DAUGHTER WAS DRIVING A CAR OWNED BY HER PARENTS WHEN SHE BECAME DISTRACTED AND REAR-ENDED ANOTHER VEHICLE. She was unharmed; however, the other driver and his passenger sustained injuries — both requiring surgery and hospital stays. PURE paid $3,000,000 to settle the claim on the member’s behalf.

A PURE MEMBER’S NANNY SUED ON THE GROUNDS OF WRONGFUL TERMINATION AFTER OUR MEMBER DECIDED TO RELIEVE HER OF HER DUTIES. PURE paid the legal defense fees on the member’s behalf.

A PURE MEMBER WAS DRIVING AT A LOW SPEED THROUGH A NEIGHBORHOOD WHEN SHE STRUCK A PEDESTRIAN WITH HER VEHICLE. The pedestrian fell to the ground but did not appear to be injured. Later, the pedestrian claimed that a neurological defect he was now experiencing was the result of the accident. PURE paid $5,000,000 to settle the claim on the member’s behalf.

A PURE MEMBER WAS WALKING THROUGH A PARKING LOT WHEN SHE WAS HIT BY A CAR. She sustained serious but non-life-threatening injuries. The driver was uninsured and could not afford to pay her costly medical bills. PURE paid her medical bills and other related expenses, which exceeded $900,000.

A PURE MEMBER LOANED HIS BOAT TO HIS ADULT SON, AN EXPERIENCED SEA CAPTAIN, WHO WAS THEN INVOLVED IN AN ACCIDENT. A jet skier, driving recklessly near the member’s boat, lost control of his watercraft, fell off and sustained injuries from the boat’s propeller. The jet skier sued for damages. PURE paid the legal defense fees on the member’s behalf.

Details within these examples have been changed to protect the identity of those involved.

The following page outlines several factors that can increase your liability risk, as well as advice to help you manage these factors.
REDUCING YOUR LIABILITY RISK

Following are some of the most common factors that can increase your liability risk, as well as advice to help manage these factors.

- **TEENAGE DRIVERS.** Unfortunately, teenage drivers are a very common factor in liability claims. We have seen several tragic incidents, most involving cell phone use and/or alcohol, and some simply reflect their lack of experience. To help minimize your exposure, and to help keep your teenage drivers safe:

  - **Reduce distracted driving.** Consider a device or app that disables their smartphone while driving; some will even alert you to unsafe driving patterns (such as speeding and stopping short). PURE’s Member Advocate® can help you find a device that’s right for you.

  - **Restrict night driving.** Most young drivers’ nighttime fatal crashes occur between 9 p.m. and midnight, so teenagers should avoid driving after 9p.m. The problem isn’t just that night driving requires more skill behind the wheel. Late outings tend to be recreational, and even teens who usually follow the rules can be easily distracted or encouraged to take risks.

  - **Restrict teenage passengers.** Teenage passengers riding in a vehicle with a newly licensed driver can distract the driver and/or lead to greater risk-taking. About six of every 10 teenage passenger deaths occur in crashes with teen drivers. These crashes happen during the day and at night so the best policy is to restrict teen passengers at all times.

For additional advice to help keep your teenage driver safe, visit pureinsurance.com/teen-driver.

- **DOMESTIC STAFF.** Personal assistants, nannies, housekeepers and other domestic workers frequently assist in running and maintaining our members’ homes. They also pose multiple liability risks. To help manage your risk:

  - **Limit their access to your vehicles.** Be aware that you could be held financially accountable for accidents or injuries that are caused by another person driving your vehicle.

  - **Conduct background checks.** Background checks can help to uncover a poor driving history or a criminal record. PURE has a relationship with a national risk consulting company to provide background screening services for domestic employees at a discounted rate. Contact the Member Advocate® to learn more.

Other common risk factors that could contribute to a liability claim include: owning a dog(s), serving on a board of directors, travel (especially international), children away at college, college children studying abroad, and owning recreational vehicles such as golf carts and jet skis.

If you do not already have a Personal Excess Liability policy, your net worth may be exposed. Talk to your independent insurance broker about the coverage solutions that are available to you.
PROTECTING WINE COLLECTIONS

One PURE member found that nearly $300,000 worth of his wine collection was missing after his storage facility was robbed. The culprits were eventually caught and the wine recovered. Thankfully, our very diligent member had his collection fully inventoried, and his wine was kept in special personalized crates that proved his ownership. Both of these precautions simplified the claim and recovery process.

Many PURE members choose to use facilities to store either part or all of their wine collection. Unfortunately, we have seen an alarming number of losses to stored wine. If you are among the members who use storage facilities, the following suggestions may help protect your stored wine from theft and other risk factors.

• Inventory your collection and maintain up-to-date values. Include specifics about the locations of each bottle and case so that, should labels go missing (a likely result following water damage), you can still determine which bottle is which and what has been lost. Through the Member Advocate®, PURE members have access to a network of inventory professionals who can help you inventory and maintain your collection, often at a discounted price.

• Mark each bottle and case with a personal and permanent identifier. If anything is stolen, this will help to prove ownership.

• Avoid storage facilities that also sell wine. This could be a conflict of interest and may not be worth the risk.

• Do not allow anyone other than you (and your wine consultant, if you have one) access to your wine. Facility management should not have access.

• Find out whether the wine facility you are considering has sustained any prior losses. Prior losses could indicate weaknesses in security, the building structure or cooling systems. Check with the facility owner or manager, as well as local law enforcement. If there were prior losses, find out how they were addressed.

• Make sure that temperature and humidity within the facility are monitored 24/7. A change in these conditions can devastate a collection, even if it is caught within 24 hours.

• Know the facility’s emergency preparedness plan. Prior to storing your collection, do a thorough review of the facility’s security and emergency procedures. If you live in an area prone to natural disasters such as earthquakes, hurricanes or tornadoes, there are additional measures you should take. Ask the facility owner:
  - Is your shelving designed to absorb the impact of an earthquake?
  - Is your generator powerful enough to keep the storage unit cool if you lose power for an extended amount of time?
  - Does your alarm system connect to the door of the storage unit?

For assistance locating a wine storage facility in your area, or if you have concerns with your current storage facility, contact the PURE Member Advocate® at memberadvocate@pureinsurance.com.
GROWTH AND DIVERSIFICATION

In 2014, we began welcoming members in California — the largest and most affluent state in the country, creating a tremendous opportunity for PURE. The enthusiastic support we received from some very dedicated broker partners, referrals from members in other states and a wave of advertising have provided great momentum. The team we have assembled in our new San Francisco office and throughout the state consists of some of the finest professionals in our niche. We are excited about our future in California and how it will support PURE’s continued growth and diversification.
THE VALUE OF INDEPENDENT BROKERS

PURE is proud to partner with a select network of independent agents and brokers who work to serve your interests with deep expertise. We strongly believe that sound, expert discovery and advice from an independent professional will enable us to serve you best. We are highly selective in the brokers with whom we partner. We look for brokers with a thorough understanding of the personal insurance needs of successful families; who have strong reputations within the communities they serve; and who are dedicated professionals that act as trusted advisors.

HIGHLY SELECTIVE APPOINTMENT PROCESS

By many estimates, there are more than 30,000 independent insurance agencies throughout the U.S. Though many thousands have applied for appointment with PURE, our careful selection process has resulted in only a small fraction of those being appointed. This selectivity helps to ensure you are being served well and allows us to develop deep broker partnerships. Through these meaningful partnerships we can serve our members better, this results in a better member experience, which is reflected in stronger year-on-year member renewals and a higher NPS®.

BROKER COUNT

In 2014, PURE grew its network by nearly 100 new broker relationships.

PURE PARAGON

We align ourselves with brokers who are independent and act in the interests of their clients. We are proud to recognize those who combine client advocacy with insurance professionalism and who deliver exceptional results for PURE with our PURE Paragon designation.

This year, as a result of their hard work and loyalty to PURE in 2014, 71 of our broker partners have earned the PURE Paragon designation.
PURE’S PEOPLE

Creating an exceptional member experience begins with our employees. Here are a few of the ways our employees are recognized at work and in their communities.

AWARDS

PURE’s exceptional staff has been recognized by the industry on numerous occasions, from best-in-class awards to our Technology team to awards of excellence for our Claims Tracker, PURE Situation Room™ and even our Annual Report to Members.

In 2014, our own Ross Buchmueller, President and CEO of PURE, was awarded the 2014 Ernst & Young Entrepreneur of the Year™ Award in the financial services category. The award recognizes outstanding entrepreneurs who demonstrate excellence and extraordinary success in such areas as innovation, financial performance, risk, and personal commitment to their businesses and communities. Ross was selected by an independent panel of judges and honored at a gala event at the Marriott Marquis in Times Square on June 17th.

Ross Buchmueller and other members of PURE’s senior leadership team, along with their spouses, at the 2014 Ernst & Young Entrepreneur of the Year gala.

From left: Sam Mounayar, Nadine Mourad, Azeema Hartley, Pamela Buchmueller, Martin Hartley, Ross Buchmueller, Mark Galante, Francesca Paraschac, Sarah Galante and Jeff Paraschac.
COMMUNITY INVOLVEMENT

The following are just a couple of the great organizations that we are proud to support.

We have been a longtime supporter of St. Baldrick’s, the second largest contributor of funds to fight childhood cancer, behind the U.S. government. The foundation, born out of a bet between its three founders — all reinsurance executives — has raised an astounding $154,000,000 in research grants since 1999, primarily through head-shaving events.

We originally became involved with this wonderful organization to show support for our good friends and industry colleagues Chuck Chamness, President & CEO of NAMIC, and Tad Montross, Chairman and CEO of General Re Corporation. Chuck, whose son is a cancer survivor, is the Chairman of the Board for the organization, and Tad is a longtime dedicated supporter.

This year, several members of the PURE team will be shaving their heads in support of St. Baldrick’s. The group expects to raise $10,000 to support childhood cancer research.

If you would like to help PURE’s team reach their goal, donations can be made by visiting pureinsurance.com/stbaldricks.

Several of our colleagues are also active members of The United Way’s Women’s Leadership Council. This Council works to engage, educate and empower women to become leaders and actively participate in the betterment of their community.

We participated in several events for the organization throughout the year, including resume advising. This is part of the organization’s Teach Me to Fish initiative, which gives hard-to-place individuals skills, training, financial education and coaching that will enable them to secure higher-paying jobs, which will allow them to get out of debt.
We are committed to creating an exceptional member experience, one that yields a highly enthusiastic membership and fuels lasting growth. In order to deliver on this, we consistently look for new ways to raise the bar and exceed member expectations. Here are a few ingredients of our approach.

**DELIVERING A HIGHER LEVEL OF SERVICE**

We are committed to creating an exceptional member experience, one that yields a highly enthusiastic membership and fuels lasting growth. In order to deliver on this, we consistently look for new ways to raise the bar and exceed member expectations. Here are a few ingredients of our approach.

**EMOTIONAL INTELLIGENCE**

purEQ One’s ability to understand, interpret and respond to the emotions of others is a special skill – and one that PURE highly values in our employees. This is emotional intelligence (also known as EQ); we call it purEQ. EQ and empathy fuel our ability to deliver a better service experience to our members. With greater empathy, we look for opportunities and ideas to deliver a level of service that goes above the expected.

purEQ is so important to us that we screen prospective employees for their EQ skills and invest in training and development for existing employees.

**THE PURE PRINCIPLES**

We are deeply committed to hiring, developing and rewarding exceptionally talented people in order to deliver an exceptional member experience. To our employees, we promise to create and maintain an environment that allows our team to flourish and to be recognized. We appreciate all that our team members do for PURE and seek to provide them with a career that is part of a fulfilling life. In exchange, we ask all employees to uphold these principles.

**Practice Membercentricity.**
Seize every opportunity to create an exceptional member experience and reinforce an alignment of interests with the membership.

**Use Empathy, Creativity And Urgency To Be Exceptional.**
Favor action over unnecessary bureaucracy. Put yourself in their shoes, asking “How?” instead of justifying “Why not”. Take risks that don’t compromise our values or threaten the enterprise, and learn from mistakes.

**Do The Right Thing.**
Never compromise integrity or transparency for the sake of a shortcut. Make the membership, your team and our partners proud.

**FASTEN, MORE PERSONALIZED RESPONSE**

Claims are reported to licensed adjusters, so you tell your story only once and you deal with someone who cares about your claim. A single adjuster means a single point of contact. We are happy to report that 41% of all claims in 2014 were fully handled to closure by the professional who answered the call.
**RECOGNITION**

PURE is dedicated to delivering service above and beyond what our members expect. So, when Forrester Research, a leading independent global research and advisory firm, published a study on our “customer-obsessed” business, we were delighted.

The report illustrates the ways PURE ensures alignment with our members, emphasizes an exceptional member experience, uses qualitative research to identify opportunities for innovation, and provides emotional intelligence training to our employees.

To view the report, visit pureinsurance.com/forrester.

**NET PROMOTER SCORE**

Net Promoter Score (NPS®) is a measure used to gauge customer loyalty, much like customer satisfaction ratings. One’s NPS is derived by classifying customers into three categories — Promoters, Passives and Detractors — based on their answer to one simple question: How likely are you to recommend [company] to a friend or family member? Customers respond on a 0 - 10 scale, where 0 - 6 are Detractors, 7 - 8 are Passives and 9 - 10 are Promoters.

\[
\text{NPS} = \frac{\% \text{ of Promoters (9s & 10s)}}{\% \text{ of Detractors (0 through 6)}}
\]

We are pleased that PURE’s NPS continues to rise and reflects tremendous member loyalty and enthusiasm.

- **For Members Who Have Experienced a Claim**
  - PURE’s 2013 NPS: 64
  - PURE’s 2014 NPS: 65
  - Average of U.S. Home & Contents Insurers: 44
  - Average of U.S. Auto Insurers: 58

- **For Members Who Have Not Experienced a Claim**
  - Pure’s 2012 NPS: 58
  - Pure’s 2013 NPS: 40

**Source of non-PURE data: Satmetrix 2014 U.S. Consumer Benchmark Study.**

**NPS data is collected through surveys, including an annual member survey and a survey that is distributed after every claim is closed, regardless of whether a payment was made.**
GROSS WRITTEN PREMIUM

In 2014, written premiums grew by 40% to $351,356,376. That makes this the eighth consecutive year with at least 40% growth year over year since our launch. It is our projection that we will grow written premiums to nearly $500,000,000 by the end of 2015.

MEMBERSHIP GROWTH

This year the membership grew by more than 10,000 families from across the country.

MEMBERSHIP DIVERSIFICATION

PURE’s book of business continues to diversify. In 2014, we began accepting members in California while we grew our membership in other Western states at a faster rate than any other region. Diversified growth enables PURE to improve the efficiency of the cost of its reinsurance and improve bottom line results.

MEMBERS BY REGION
SUBSCRIBER SAVINGS ACCOUNTS

At the time of publication, we are awaiting approval from regulators to allocate $8,000,000 to Subscriber Savings Accounts (SSAs) for 2014.

SSAs are notional accounts that remain on PURE’s balance sheet (supporting PURE’s overall claims-paying ability) in the name of each member, into which PURE may allocate surplus. They allow PURE greater financial strength while showing our commitment to serve the membership.

<table>
<thead>
<tr>
<th>Year</th>
<th>Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>$1M</td>
</tr>
<tr>
<td>2011</td>
<td>$0</td>
</tr>
<tr>
<td>2012</td>
<td>$1.5M</td>
</tr>
<tr>
<td>2013</td>
<td>$5M</td>
</tr>
<tr>
<td>2014</td>
<td>$8M</td>
</tr>
</tbody>
</table>

FIFTH RENEWAL BENEFIT

2014 marks the fifth year renewal benefit for members who joined PURE in 2009 and as a result those members are no longer required to make surplus contributions. By the end of 2014, nearly 3,900 members have experienced this benefit and have seen an average annual savings of more than $700. In 2015, members who joined in 2010 will experience the same benefit.

MEMBERSHIP RETENTION

We are proud to see retention rates rise over the years and have so many members choosing to renew their coverage with PURE.

<table>
<thead>
<tr>
<th>Year</th>
<th>Retention Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>92.3%</td>
</tr>
<tr>
<td>2011</td>
<td>94.1%</td>
</tr>
<tr>
<td>2012</td>
<td>93.7%</td>
</tr>
<tr>
<td>2013</td>
<td>94.8%</td>
</tr>
<tr>
<td>2014</td>
<td>96.1%</td>
</tr>
</tbody>
</table>

PRODUCT SUITE

PURE offers comprehensive, customizable insurance products tailored to meet the needs of high net worth individuals. Members who bundle their policies have fewer coverage gaps and benefit from generous discounts and the ease and convenience of a single billing statement.*

<table>
<thead>
<tr>
<th>Line of Business</th>
<th>Percent of Members who Purchase Coverage from PURE</th>
</tr>
</thead>
<tbody>
<tr>
<td>HOMEOWNERS</td>
<td>97.7%</td>
</tr>
<tr>
<td>EXCESS LIABILITY</td>
<td>82.0%</td>
</tr>
<tr>
<td>COLLECTIONS</td>
<td>74.7%</td>
</tr>
<tr>
<td>AUTO</td>
<td>63.6%</td>
</tr>
<tr>
<td>FLOOD</td>
<td>11.1%</td>
</tr>
<tr>
<td>WATERCRAFT</td>
<td>3.9%</td>
</tr>
</tbody>
</table>

*Not currently available for flood.
An insurer’s combined ratio measures losses and expenses against premium to help evaluate underwriting results. A combined ratio below 100 typically indicates profitability. However, a growing insurance company may show statutory underwriting losses even with a combined ratio under 100 (see Deferred Acquisition Costs on page 31).

Management monitors three combined ratios to evaluate operating performance:

**GROSS COMBINED RATIO.** This measure indicates whether or not an insurer is collecting enough premium to cover its claims obligations and operating expenses prior to the cost/benefit of reinsurance.

\[
\text{GROSS COMBINED RATIO} = \frac{\text{Total Claim Costs}}{\text{Total Premium Earned}} + \frac{\text{Total Operating Expenses}}{\text{Total Premium Written}}
\]

**NET COMBINED RATIO.** This measure indicates profitability net of the cost/benefit of reinsurance. It reflects items included in the statutory P&L.

\[
\text{NET COMBINED RATIO} = \frac{\text{Net Claim Costs}}{\text{Net Premium Earned}} + \frac{\text{Net Operating Expenses}}{\text{Net Premium Written}}
\]

**ADJUSTED COMBINED RATIO.** This measure adjusts the Net Combined ratio to reflect the benefit of member surplus contributions, which go directly to PURE’s balance sheet. We believe that this measure provides the most accurate picture of PURE’s claims-paying ability and overall economic performance in any given year.

\[
\text{ADJUSTED COMBINED RATIO} = \frac{\text{Net Claim Costs}}{\left(\frac{\text{Net Premium Earned} + \text{Member Surplus Contributions}}{\text{Net Premium Earned}}\right)} + \frac{\text{Net Operating Expenses}}{\left(\frac{\text{Net Premium Written} + \text{Member Surplus Contributions}}{\text{Net Premium Written}}\right)}
\]

**INVESTMENTS IN LOSS PREVENTION**

Getting back to normal means not worrying that your current loss could happen again. That’s why our homeowners policy includes a $2,500 Loss Prevention Benefit – money that members can use to make their homes safer or better equipped to prevent the loss from recurring.

**In 2014, we invested in 5x more loss prevention benefits than we did in 2011.**

**MOST COMMON INVESTMENTS**

We have helped to make member’s homes safer following a loss by investing in things like alarm upgrades, lightning suppression systems, water leak detection devices, permanently installed generators and much more. In 2014, the five most common loss prevention methods that PURE Member Advocates® helped to fund were:

- **ARBORISTS** to prune or remove trees likely to fall in future storms.
- **WATER SHUT-OFF VALVES** to automatically stop the flow of water into a home, preventing significant water damage.
- **GENERATORS** to help keep sump pumps working and maintain quality of life when the power goes out.
- **HOME SECURITY SYSTEMS** to improve a home’s protection against theft, fire and carbon monoxide.
- **WHOLE-HOUSE SURGE PROTECTORS/LIGHTNING SUPPRESSION SYSTEMS** to shield a home from lightning strikes and electrical damage.

For help with these and many more loss prevention measures, contact the Member Advocate® at memberadvocate@pureinsurance.com.
COSTLIEST CAUSES OF LOSS

The table below shows the 10 costliest causes of loss to the membership across all lines of business in 2014. The percent of cost reflects what PURE has paid or expects to pay on claims to help members repair or replace their assets. While auto collisions make up the greatest number of claims, the cost impact of water damage is over twice as much.

<table>
<thead>
<tr>
<th>CAUSE</th>
<th>PERCENT OF TOTAL COST</th>
<th>PERCENT OF TOTAL CLAIMS</th>
</tr>
</thead>
<tbody>
<tr>
<td>WATER DAMAGE</td>
<td>32.3%</td>
<td>13.7%</td>
</tr>
<tr>
<td>COLLISION WITH MOTOR VEHICLE</td>
<td>15.7%</td>
<td>30.1%</td>
</tr>
<tr>
<td>LIGHTNING</td>
<td>10.7%</td>
<td>1.0%</td>
</tr>
<tr>
<td>FIRE</td>
<td>6.8%</td>
<td>0.5%</td>
</tr>
<tr>
<td>LIABILITY</td>
<td>5.6%</td>
<td>0.1%</td>
</tr>
<tr>
<td>BURGLARY</td>
<td>4.3%</td>
<td>2.5%</td>
</tr>
<tr>
<td>WIND</td>
<td>3.0%</td>
<td>1.5%</td>
</tr>
<tr>
<td>MYSTERIOUS DISAPPEARANCE</td>
<td>3.0%</td>
<td>2.8%</td>
</tr>
<tr>
<td>HAIL</td>
<td>3.0%</td>
<td>1.4%</td>
</tr>
<tr>
<td>COLLISION WITH FIXED OBJECT</td>
<td>2.3%</td>
<td>4.0%</td>
</tr>
<tr>
<td><strong>TOP 10 CAUSES</strong></td>
<td><strong>86.7%</strong></td>
<td><strong>57.6%</strong></td>
</tr>
</tbody>
</table>

CLAIMS COUNT BY YEAR

As the membership grows, we are naturally going to see an increase in the number of claims. To date, PURE has handled more than 25,000 claims.

CATASTROPHE CLAIMS

The table below shows the number of claims by year. Our staff is experienced and well equipped to handle nearly all loss types, big and small. Since inception, PURE has handled hundreds of six-to-eight-figure losses that account for nearly half of PURE’s total loss costs.
THE PURE GROUP STRUCTURE

PRIVILEGE UNDERWRITERS RECIPROCAL EXCHANGE (PURE) is the member-owned insurer at the center of the PURE Group. PURE is fueled by surplus contributions from members and is the company that underwrites policies for our members.

PRIVILEGE UNDERWRITERS, INC. (PUI), a for-profit entity, was founded in 2006 and provides the management resources and capital that enabled PURE’s creation and early success. PUI was initially capitalized through investments from management and Trident III, a private equity fund managed by Stone Point Capital, a preeminent investor in the insurance industry.

PURE RISK MANAGEMENT, LLC (PRM), a subsidiary of PUI, serves as the Attorney-in-Fact for PURE. PRM is paid a fee to provide marketing, underwriting and claims administration services for PURE.

PURE INSURANCE COMPANY (PIC) is a subsidiary of PUI, and plays a major role in the Group. PIC is a reinsurance company that is pooled with PURE and shares in its net results. PIC also holds surplus notes issued by PURE. It’s important to note that the pooling agreement does not apply to surplus contributions. PURE and PIC share all net premiums and net losses equally — but 100% of all surplus contributions exclusively benefit PURE and its membership.

ASSETS

Both PURE and the PURE Group (the combined assets of PURE and PIC), have experienced a steady growth in admitted assets year over year.

- PURE
- PURE Group

Dollars in Millions

<table>
<thead>
<tr>
<th>Year</th>
<th>PURE</th>
<th>PURE Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>$59.4</td>
<td>$59.4</td>
</tr>
<tr>
<td>2008</td>
<td>$59.9</td>
<td>$111.9</td>
</tr>
<tr>
<td>2009</td>
<td>$71.5</td>
<td>$125.3</td>
</tr>
<tr>
<td>2010</td>
<td>$85.4</td>
<td>$143.0</td>
</tr>
<tr>
<td>2011</td>
<td>$111.0</td>
<td>$169.2</td>
</tr>
<tr>
<td>2012</td>
<td>$132.1</td>
<td>$198.8</td>
</tr>
<tr>
<td>2013</td>
<td>$171.7</td>
<td>$208.9</td>
</tr>
<tr>
<td>2014</td>
<td>$220.0</td>
<td>$415.5</td>
</tr>
</tbody>
</table>
GROWING IMPACT OF SURPLUS CONTRIBUTIONS

Members contribute capital to PURE by making Surplus Contributions for the first five years of membership. These contributions, which are equal to a small percentage of a member’s premiums, provide a steady flow of capital to PURE, contributing to PURE’s financial strength and a much lower cost of capital than most stock insurers. A lower cost of capital contributes to PURE’s highly competitive rates. In 2014, Surplus Contributions reached $23,402,760.

STATUTORY SURPLUS

PURE’s statutory surplus grew by 14% to $68,680,639 in 2014. PURE members are also protected by the additional capital and capital flexibilities of PIC. The PURE Group, which comprises of both PURE and PIC, grew its statutory surplus by 32% to $205,297,388 in 2014.

DEFERRED ACQUISITION COSTS*

Statutory accounting requires an insurer to book expenses when a policy is written, but revenue is earned pro-rata over the term of the policy. This puts a strain on a growing company. If we were to illustrate the matching of PURE’s revenue and expenses (as in GAAP), the PURE Group’s surplus would have grown by $9,014,603 in 2014.

SURPLUS NOTES

Back in 2007, PURE participated in Florida’s “Insurance Capital Build-up Incentive Program” and issued a $17,000,000 note to the State Board of Administration (SBA). PURE has accelerated the repayment on the principal of this note, by paying $1,500,000 for the third consecutive year.

In July of 2014, PURE issued a $34,000,000 surplus note to a premier asset manager. This transaction has further enhanced the PURE Group’s overall claims-paying ability, while continuing to maintain PURE’s low cost of capital. PURE’s interest rate on the new issuance, as of December 31, 2014, is 1.9% lower than the previous surplus note facility.
REINSURANCE

PURE continues to purchase significant reinsurance protection from some of the largest, most highly rated and well-respected reinsurance companies in the industry. These reinsurance arrangements protect against large individual losses as well as the impact of catastrophic events on several members at once. As it pertains to catastrophe, our philosophy is to evaluate our potential exposures and expose no more than 20% of the prior year capital (surplus) to any event modeled with a 1-in-100 year probability. We also purchase coverage so that we may respond to multiple events of this magnitude in the same year.

<table>
<thead>
<tr>
<th>REINSURANCE PARTNERS</th>
<th>A.M. BEST RATING</th>
<th>HOME</th>
<th>CATASTROPHE</th>
<th>ALL OTHER</th>
</tr>
</thead>
<tbody>
<tr>
<td>Berkley Re America</td>
<td>A+</td>
<td>■</td>
<td>■</td>
<td>■</td>
</tr>
<tr>
<td>Catlin Insurance Company LTD.</td>
<td>A</td>
<td>■</td>
<td>■</td>
<td>■</td>
</tr>
<tr>
<td>Everest Reinsurance Company</td>
<td>A+</td>
<td>■</td>
<td>■</td>
<td>■</td>
</tr>
<tr>
<td>General RE (A Berkshire Hathaway Co.)</td>
<td>A++</td>
<td>■</td>
<td>■</td>
<td>■</td>
</tr>
<tr>
<td>Hannover AG</td>
<td>A+</td>
<td>■</td>
<td>■</td>
<td>■</td>
</tr>
<tr>
<td>Lloyd’s Syndicates</td>
<td>A</td>
<td>■</td>
<td>■</td>
<td>■</td>
</tr>
<tr>
<td>PartnerRe</td>
<td>A+</td>
<td>■</td>
<td>■</td>
<td>■</td>
</tr>
<tr>
<td>SCOR Reinsurance</td>
<td>A</td>
<td>■</td>
<td>■</td>
<td>■</td>
</tr>
<tr>
<td>Sirius America</td>
<td>A</td>
<td>■</td>
<td>■</td>
<td>■</td>
</tr>
<tr>
<td>SwissRe</td>
<td>A+</td>
<td>■</td>
<td>■</td>
<td>■</td>
</tr>
<tr>
<td>Transatlantic Reinsurance Company</td>
<td>A</td>
<td>■</td>
<td>■</td>
<td>■</td>
</tr>
</tbody>
</table>

REINSURANCE SPOTLIGHT: BERKLEY RE AMERICA

Berkley Re America is a specialty reinsurance underwriter with an emphasis on providing solutions for insurance companies, like PURE, that have a successful business model built upon specialization in the products they underwrite. They have more than 30 years of uninterrupted service and operate only in areas where they have sufficient expertise to adequately assess the risk involved.

A lot has been written about the influx of alternative capital into the reinsurance market, but until catastrophe models can simulate relationships, it will be hard to replicate the best of the traditional reinsurers. Berkley Re America represents just that. They have stood behind our reinsurance program without wavering. In 2014, as we expressed our intent to broaden relationships with our closest reinsurers, Berkley Re offered their support in other areas of our reinsurance program where they don’t typically write. It was a clear sign of their commitment to the relationship.

In addition, Berkley Re has also been a valued advisor to PURE as we’ve explored potential new product offerings, and we’ve been able to tap into the broad capabilities of W.R. Berkley Corporation as unique opportunities have arisen. We enjoy a great personal and professional relationship with Jon, Tony and the team, and look forward to growing the partnership with Berkley Re for years to come.
### BALANCE SHEET AND INVESTMENTS

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
<th>CHANGE</th>
<th>VARIANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PURE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Cash and Invested Assets</td>
<td>$129,839,723</td>
<td>$107,694,338</td>
<td>$22,145,385</td>
<td>21%</td>
</tr>
<tr>
<td>Net Accounts Receivable</td>
<td>89,624,307</td>
<td>63,105,032</td>
<td>26,519,275</td>
<td>42%</td>
</tr>
<tr>
<td>Other Assets</td>
<td>487,513</td>
<td>879,440</td>
<td>(391,927)</td>
<td>-45%</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$219,951,543</td>
<td>$171,678,810</td>
<td>$48,272,733</td>
<td>28%</td>
</tr>
<tr>
<td>Unpaid Losses &amp; LAE</td>
<td>19,363,460</td>
<td>15,368,292</td>
<td>3,995,168</td>
<td>26%</td>
</tr>
<tr>
<td>Accounts Payable &amp; Accrued</td>
<td>22,690,421</td>
<td>15,937,787</td>
<td>6,752,634</td>
<td>42%</td>
</tr>
<tr>
<td>Unearned Premiums</td>
<td>51,398,685</td>
<td>35,970,253</td>
<td>15,428,432</td>
<td>43%</td>
</tr>
<tr>
<td>Reinsurance Payable</td>
<td>8,960,109</td>
<td>6,297,549</td>
<td>2,662,560</td>
<td>42%</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>$151,270,905</td>
<td>$111,597,395</td>
<td>$39,673,510</td>
<td>36%</td>
</tr>
<tr>
<td>Surplus Notes</td>
<td>44,622,093</td>
<td>46,873,709</td>
<td>(1,251,616)</td>
<td>-3%</td>
</tr>
<tr>
<td>Member Surplus Contributions</td>
<td>72,579,896</td>
<td>54,007,884</td>
<td>18,572,012</td>
<td>34%</td>
</tr>
<tr>
<td>Subscriber Savings Accounts</td>
<td>7,087,203</td>
<td>2,256,455</td>
<td>4,830,748</td>
<td>214%</td>
</tr>
<tr>
<td>Unassigned Surplus &amp; Other</td>
<td>(55,608,553)</td>
<td>(42,270,134)</td>
<td>(13,388,419)</td>
<td>32%</td>
</tr>
<tr>
<td><strong>Surplus as Regards to Policyholders</strong></td>
<td>$68,680,639</td>
<td>$60,081,414</td>
<td>$8,599,225</td>
<td>14%</td>
</tr>
</tbody>
</table>

**PURE GROUP**

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
<th>CHANGE</th>
<th>VARIANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Cash and Invested Assets</td>
<td>$324,884,815</td>
<td>$243,042,914</td>
<td>$81,841,901</td>
<td>34%</td>
</tr>
<tr>
<td>Net Accounts Receivable</td>
<td>86,175,454</td>
<td>64,613,777</td>
<td>21,561,677</td>
<td>33%</td>
</tr>
<tr>
<td>Other Assets</td>
<td>4,471,847</td>
<td>1,236,236</td>
<td>3,235,611</td>
<td>262%</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$415,532,116</td>
<td>$308,892,927</td>
<td>$106,639,189</td>
<td>35%</td>
</tr>
<tr>
<td>Unpaid Losses &amp; LAE</td>
<td>38,726,920</td>
<td>30,756,583</td>
<td>7,990,337</td>
<td>26%</td>
</tr>
<tr>
<td>Accounts Payable &amp; Accrued</td>
<td>24,510,503</td>
<td>16,111,858</td>
<td>8,398,645</td>
<td>52%</td>
</tr>
<tr>
<td>Unearned Premiums</td>
<td>97,716,460</td>
<td>76,047,028</td>
<td>21,669,432</td>
<td>28%</td>
</tr>
<tr>
<td>Reinsurance Payable</td>
<td>39,151,286</td>
<td>24,534,643</td>
<td>14,616,643</td>
<td>60%</td>
</tr>
<tr>
<td>Other Current Liabilities</td>
<td>10,129,559</td>
<td>6,297,549</td>
<td>3,832,010</td>
<td>61%</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>$210,234,728</td>
<td>$153,727,661</td>
<td>$56,507,067</td>
<td>37%</td>
</tr>
<tr>
<td>Common Capital Stock</td>
<td>$920,000</td>
<td>$920,000</td>
<td>$0</td>
<td>0%</td>
</tr>
<tr>
<td>Contributed Capital</td>
<td>147,122,399</td>
<td>144,122,400</td>
<td>3,000,999</td>
<td>2%</td>
</tr>
<tr>
<td>3rd Party Surplus Notes</td>
<td>44,622,093</td>
<td>12,087,209</td>
<td>32,534,884</td>
<td>269%</td>
</tr>
<tr>
<td>Member Surplus Contributions</td>
<td>72,579,896</td>
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<td>4,830,748</td>
<td>214%</td>
</tr>
<tr>
<td>Unassigned Surplus &amp; Other</td>
<td>(67,034,202)</td>
<td>(58,228,682)</td>
<td>(8,805,520)</td>
<td>15%</td>
</tr>
<tr>
<td><strong>Surplus as Regards to Policyholders</strong></td>
<td>$205,297,388</td>
<td>$155,165,266</td>
<td>$50,132,122</td>
<td>32%</td>
</tr>
</tbody>
</table>

Numbers may not add due to rounding.

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### INVESTMENTS AT A GLANCE

PURE grew its cash and invested assets by $22,145,385 in 2014 and maintained a conservative and liquid investment portfolio.

#### INVESTMENT MIX [PURE]

- **Cash:** 36%
- **US Governments:** 8%
- **Investment Grade Securities:** 17%
- **Investment Grade Credit:** 29%
- **Convertible Bonds:** 4%
- **Equity Index Funds:** 9%
- **Other:** 0%

#### TOTAL CASH AND INVESTED ASSETS [PURE]

- **2011:** $64.9M
- **2012:** $76.6M
- **2013:** $107.7M
- **2014:** $129.8M

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*The 2014 Report to Members*
PRIVILEGE UNDERWRITERS
RECIPROCAL EXCHANGE

SUBSCRIBERS’ ADVISORY COMMITTEE
Ross J. Buchmueller
President & CEO, Privilege Underwriters, Inc.

Joey Cummings
CEO/Chief Strategic & Creative Officer,
The Joey Company

Douglas G. Fields (Secretary)
Senior Vice President,
BB&T – Oswald Tripe And Co.

Richard A. Jacobs
Managing Director, CGA Capital

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

William W. Wilson III (Chairman)
Executive Chairman of Queue Software

ATTORNEY-IN-FACT
PURE Risk Management, LLC
(wholly owned subsidiary of Privilege Underwriters, Inc.)

ACTUARIAL SERVICES
Perr & Knight
Boca Raton, FL

AUDITOR
EisnerAmper LLP
Edison, NJ

INVESTMENT MANAGEMENT
AAM-Asset Allocation and Management
Chicago, IL

PRIVILEGE UNDERWRITERS INC.

DIRECTORS
J. Stephen Baine
Ross J. Buchmueller
James D. Carey
Peter M. Mundheim
Nicolas D. Zerbib

LEADERSHIP TEAM
Ross J. Buchmueller
President & Chief Executive Officer

Martin A. Hartley
Executive Vice President & Chief Operating Officer

Jeffrey A. Parascach
Executive Vice President & Chief Financial Officer

W. Keith Self
Executive Vice President, Zonal Executive

Gary D. Stephen
Executive Vice President, Claims & Risk Management

Robert O. Collins
Senior Vice President, Member Engagement

Phil M. Figueiredo
Senior Vice President, Controller

Mark C. Galante
Senior Vice President & Chief Marketing Officer

Vivian S. Gee
Senior Vice President, Field Underwriting Officer

Dennis P. Kirwin
Senior Vice President, Regional Executive Mid-Atlantic

Jennifer E. Lawrence
Senior Vice President, General Counsel and Corporate Secretary

Jason M. Lichtenenthal
Senior Vice President, Chief Information Officer

John R. Miner
Senior Vice President, Central Zone Executive

Steven B. Oakley
Senior Vice President, Chief Actuarial Officer

Stuart G. Tainsky
Senior Vice President, Administration and Member Experience

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Senior Vice President, Regional Executive - Florida

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Vice President, Risk Management

Brad W. Beck
Vice President, Finance & Strategy

Josh R. Bland
Vice President, Information Technology

Mark B. Buisson
Vice President, Regional Executive - Midwest

Christopher M. Cassady
Vice President, Regional Executive - Gulf

Randall C. Davis
Vice President, Claims - West

Frank M. DiGrande
Vice President, Property Claims

William E. Doran
Vice President, National Product Management

Colin M. Haupt
Vice President, Human Resources

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Vice President, Regional Executive - New England

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Vice President, Underwriting

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Vice President, Product Management

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Vice President, Regional Executive - California

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Vice President, Regional Executive - Southeast

Helen Merritt
Vice President, Assistant Controller

Jason L. Metzger
Vice President, Agency Distribution

Karen M. Steger
Vice President, Technology Implementations

Susan D. Robinson
Vice President, Underwriting

Alex C. Strange
Vice President, Regional Executive - West

Michael R. Trchala
Vice President, Regional Executive - New York

*The information provided is a summary of the document content.*
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